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China Report

RED FLAG

No. 4, 16 February 1985

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12 April 1985

CHINA REPORT

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Translation of the semimonthly theoretical journal of the Central Committee of the Communist Party of China published in Beijing.

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PAY ATTENTION TO CONTROLLING THE IRRATIONAL GROWTH OF CONSUMPTION FUNDS

Beijing RED FLAG in Chinese No 4, 16 Feb 85 p 2

[Commentary]

[Text] To consolidate and carry forward the excellent situation, carry out the economic reform smoothly, and achieve the aim of fighting the first battle with victory assured, we must get rid of interference. One of the most prominent problems confronting us calls for controlling the irrational growth of consumption funds.

People are now worrying about rising prices. But they have paid inadequate attention or have even been totally indifferent to the phenomenon of the likely uncontrollable growth of consumption funds arising from the practice of freely raising wages and randomly handing out bonuses and allowances. In fact, the two are interrelated. Commodity prices are ultimately determined by the amount of work involved in commodities, or by value. The amount of money in circulation also has a direct impact on prices. If the money supply exceeds the required amount, commodity prices will go up. To prevent big fluctuations in prices, we must control the distribution of money. Controlling the irrational growth of individual consumption funds is a very important aspect in the effort to control the distribution of money.

Loss of control over consumption funds will lead to a most fundamental imbalance in the national economy. A proper balance must be maintained between accumulation and consumption and between social consumption and individual consumption. The growth of individual consumption funds must be kept within rational limits. That is to say that we must base the growth of individual consumption on the development of production and improvement in economic returns.

Concretely speaking, the rate of growth of individual consumption should be lower than that of the growth of production and labor productivity. Given newly increased national income, we must guarantee a given accumulation. Of the increased enterprise income, the state must have access to a bigger share in order to ensure a still greater increase in the state's financial income. Meanwhile, the growth of the amount of money received by workers as income cannot surpass that of the production of social consumer goods.

Some enterprises and units have erroneously thought that reform is meant to let worker individuals have more money. Some units showing no increase in production and no improvement in economic returns or even losses have freely raised wages and randomly handed out bonuses and allowances (including cash and things), doing so in various forms. That kind of individual income is realized by various improper means, such as boosting production costs, subtly raising prices, appropriating production funds, withholding taxes and profits that would otherwise be handed over, and even using various excuses to draw on funds meant for replenishing stocks, and so forth.

These practices have appeared amid a very favorable situation. But they are worth noting. If not quickly checked, they will cause the loss of control over consumption funds, an imbalance between accumulation and consumption and between purchasing power and market supplies and imbalances in financial budgets, credit funds, and material goods, and lead to big fluctuations in commodity prices, adversely affecting the masses' life and disrupting economic life. This will inevitably call for a further adjustment, delaying the process of reform.

In reform, we must look far ahead and combine the enlivening of the economy with attention to proper macroeconomic management and control. We must keep a cool head amid victory and be good at preventing problems likely to crop up. The wage system must be reformed. The pricing system must also be reformed. But this must not be done so as to cause the loss of control over prices, credit funds, and consumption funds.

In carrying out a reform program, we must consider whether it is acceptable to society. The idea guiding reform must be right and proper. We cannot want to get rich immediately at the very mention of reform or get rich by relying on increasing commodity prices.

To really get rich, we must act according to policy. We must strictly control and practice taking advantage of the current opportunity of reform to raise prices. We must also control individual consumption funds and collective purchasing power. The growth of consumption funds must stimulate the growth of production. Only in this way can we help maintain the steady and harmonious development of the national economy and provide a favorable environment for the steady progress of the reform.

As far as the situation as a whole is concerned, our country is still not rich. The state is financially pinched and has inadequate construction funds. For this very reason, the "Decision" has reaffirmed the guideline of fighting amid hardships, building up the country industriously and thriftily, and getting everything done through thrift and hard work, while providing new explanations in light of new conditions. In no way can we forget this fine work style which was forged in history and has been proved by practice to still be effective!

CSO: 4004/19

THE FACTORY DIRECTOR RESPONSIBILITY SYSTEM MUST IN PRACTICE GIVE FULL EXPRESSION TO THE MASTER STATUS OF THE WORKER MASSES

Beijing RED FLAG in Chinese No 4, 16 Feb 85 pp 3-6

[Article by Xu Bing [1776 0365]]

[Text] It was pointed out in the "Decision of the Central Committee of the CPC on Reform of the Economic Structure" that: "Under socialist conditions, the authority of the leaders of enterprises is united with the master status of the workers and the initiative and creativeness of the laboring masses." This demands that our enterprises, while implementing the factory director responsibility system, adopt a series of effective measures to ensure that the workers and staff take part in democratic management of the enterprises and give play to the master status of the workers.

Socialized large-scale production objectively requires the exercise of highly centralized unified leadership and command to maintain the authority of the leaders of enterprises, and at the same time, requires full democratic management to give play to the initiative and creativeness of the broad masses of workers. The more developed the productive forces, the more advanced science and technology, the greater the extent of specialization, the more meticulous the division of work, and the more complicated the system of management, the more necessary it is to rely on the concerted efforts of the workers, technicians, and management personnel who directly participate in production activities and best understand the situation in production and management. Absorbing workers into management is a global historic trend. However, it is only under the socialist system that the enterprises will really enjoy democratic management and reflect the workers' status as masters, thus, the authority of the leaders of enterprises will be united with the master status of the workers and the initiative and creativeness of the laboring masses. This is one of the indications of the superiority of socialism over capitalism.

The master of an enterprise is determined by the ownership system and is naturally reflected in the relationship of wills. The capitalist enterprises belong to the capitalists and can only be run according to the will of the capitalists. As far as the laborers of the capitalist enterprises are concerned, they must be absolutely subordinate to the will of the capitalists. Marx said: "Their labor relations are that they are the

capitalist's planning in concept and the capitalist's authority in practice, they are the power to realize others' will--their activities must obey the aim of this will--and they are antagonistic to each other." ("Das Kapital," Vol 1, p 368) The fundamental difference between socialist and capitalist enterprises is the realization of the public ownership system of the means of production and that the workers are also the masters. The management of socialist enterprise is in fact the realization of the workers' will, the realization of the master status of the workers and their role of being masters of their own houses.

The situation of workers being the masters of the enterprises is different in enterprises owned by the whole people and enterprises owned by the collectives. The masters of the collective-owned enterprises are the workers and staff of the enterprises themselves, and the enterprises must, within the permitted scope of state laws and policies, work in accordance with the will of the workers and staff; the masters of the whole-people's ownership enterprises are the people of the entire country. Whole-people's ownership enterprises must primarily work in accordance with the will of people throughout the country. At the present stage it is the state which represents the will of the people, and working in accordance with the will of the people means working in accordance with the state's will. Thus, the whole-people's ownership enterprises must, first of all, implement the state principles, policies, and rules and regulations; they must execute state plans and orders; and they must submit taxation fixed by the state and must also, under the conditions of not violating state regulations, safeguard wages and benefits of the workers and staff. All this reflects the laboring masses' master status and their right of being masters in their own houses.

Nevertheless, we must draw our attention to the fact that all the people of the country are masters of the enterprises, workers and staff of the enterprises, and being part of the country's people, they are also masters of the enterprises, and they have a deeper relationship with the enterprises as compared to other people within the country: 1) They directly use this enterprise's means of production, directly undertake this enterprise's production tasks, directly contribute to the development of the enterprise and achieve labor rewards and benefits in this enterprise. 2) After the reform of the urban economic structure and after expanding the decision-making right of the enterprises, the enterprises have become socialist businessmen who run business independently and are responsible for their own profits and losses, the workers and staff of the enterprises must undertake part of the responsibility for the business of the enterprises, their wages, bonuses, and collective welfare must be hooked up with the economic results of the enterprises. This shows that the workers and staff of the local enterprises are not only masters of the enterprises as part of the people in the country as far as ownership of the enterprises is concerned but are also masters of the enterprises as far as business is concerned. The view that only people of the country are masters of the whole-people's ownership enterprises and that local workers and staff are not masters of the enterprises is incomprehensible.

Since the enterprises' own workers and staffs are masters of the enterprises and are masters in a special position and play special roles, they should also enjoy certain rights in the management of the enterprises. Only by organizing the workers and staffs to participate in democratic management and ensure their right in management, can the workers' master status be fully realized. As Comrade Mao Zedong once pointed out: We must interpret people's rights as right of labor, education, social insurance, and so on under the management of certain people; the laborers' right in managing the country, managing various enterprises and managing culture and education are the greatest rights of the laborers under the socialist system and are the fundamental rights.

The power of the factory director has been enlarged since the implementation of the factory director responsibility system, but this is only a change in the leadership system, the ownership system of the means of production has not been changed, the position of the broad masses of workers in the enterprises has remained unchanged, and thus, the relationship between the broad masses of workers and factory director has not been changed at all. No matter how great the power of a factory director is, he is only a servant of the people and a servant of the laboring masses, and the factory director still has to treat the workers in the manner of a servant. If because of the implementation of the factory director responsibility system, and when the factory director does not treat the workers as masters when his power is enlarged, the workers may not feel like masters but will feel like employees of the factory director, the factory director responsibility system will not be well-promoted and the enterprises will not run well either. The reasons are:

First, the duties of a factory director are heavier since the implementation of the factory director responsibility system and it is more necessary to rely on the masses. Sometimes, a good factory director can find ways out of difficulties and change the situation. But in the final analysis, a good factory director cannot do without the support of the broad masses of workers. Marxism holds that, the labor force is the main factor of the productive forces, all means of production can be given play to only when integrated with the laborers. Under the socialist system, the initiative and creativeness of the master status of the working masses is the source of energy of running well socialist enterprises and is a foundation of the factory director responsibility system. If the decisions of the factory director cannot gain the support of the workers and staff, they will be hard to implement no matter how good they are. A factory director who neglects democratic management is not a good factory director. Comrade Mao Zedong has earlier warned us that: "With only the enthusiasm of the leading cadres and without integration of the initiative of the broad masses of people, our efforts made will be fruitless." ("Selected Works of Mao Zedong," Vol 3, p 853)

Second, when the power of a factory director is greater since the implementation of the factory director responsibility system, the right of democratic supervision by the masses must also be expanded. Positively speaking, the masses' supervision helps the factory director to master and exercise

power and helps the factory director to avoid and reduce errors in work. Not long ago, a foreign journalist asked one of our factory directors: Do you feel many eyes watching over you in promoting democratic management? Our factory director answered: I feel there are more helping hands. This factory director has correctly interpreted the positive meaning of the masses' supervision. Simultaneously, the masses' supervision is a necessary measure to prevent and overcome bureaucratism. If an individual's power has been enlarged and there is no effective supervision at the same time, it will be quite inevitable for bureaucratism to breed in some people who will exercise blind leadership, abuse their power, use public office for private gain, suppress the masses, and seriously infringe on the interests of the state and the workers and staff. Lenin said: "When we are more resolved to advocate a strong political regime and more resolved to advocate, in the course of certain work, implementation of individual dictatorship in certain areas of purely executing duties, we should have more forms and methods of supervision running from the lower to the higher levels to rule out all possibilities that harm the Soviet political regime, and must repeatedly eradicate the bad elements of bureaucratism." ("Collected Works of Lenin," Vol 27, p 253)

Third, when the decisionmaking rights of the enterprises are expanded, the workers and staffs have a stronger demand for the right of democratic management. The implementation of the factory director responsibility system is carried out in line with expansion of the decisionmaking rights of the enterprises. The workers feel that the larger the enterprises' decisionmaking rights, the closer the relationship between the fate of the enterprises and their own fate, therefore, they are more concerned about the management of the enterprises. When the enterprise is not doing well, the factory director is naturally held responsible, and the factory director should have his wages and bonuses cut or even be dismissed or imprisoned; when the enterprise is not doing well, the workers must also undertake economic responsibilities, they must also accept less wages, less or no bonus, or even find another job or become unemployed. In light of this, we can see that expanding the enterprises' rights does not only mean expanding the factory director's powers but must also mean expanding the workers' right of democratic management.

After the implementation of the factory director responsibility system, how should we strengthen democratic management to fully express the master status of the working masses?

First, it is necessary to adopt various kinds of form and methods to provide conditions for the working masses to participate in democratic management. The PRC Constitution stipulates that, "the state enterprises must, in accordance with the law, implement democratic management by means of workers' congresses and other forms." In accordance with regulations of the constitution and the experiences obtained, the following forms and methods of democratic management should be implemented: 1) The workers' congress is the basic form of democratic management in enterprises, each enterprise must further improve the system of workers' congress, making it an organ for the working masses to realize their role as masters and

exercise the right of democratic management. 2) If the enterprises set up decisionmaking organs such as the factory management committees, it is necessary to absorb the trade union chairmen, secretaries of league committees and workers' representatives into these organs so that they can promptly reflect the workers' voices and represent the workers and staff to participate in business decision activities. 3) In order to cope with the demands of the delegation of power at different levels, the system of democratic management at various levels such as the workshops, teams and groups, and so on must also be established to enable the broad masses of workers to directly participate in the management of their own workshops, teams and groups. 4) To adopt various forms such as democratic evaluation meetings, democratic question-and-answer meetings, democratic reception days, and so on to organize the workers and staff to launch routine democratic management activities.

Second, it is necessary to safeguard and give play to the rights and role of the workers' congresses in examining major decisions of the enterprises and protecting the legal rights of the workers and staff. The workers' congresses are organs composed of workers' representatives elected among all the workers. It is a form of combining the workers, technicians, and management cadres of the enterprises, safeguarding and giving play to its rights and role in discussing major decisions of the enterprises and protecting the legal rights of the workers, and giving full play to its role is conducive to pooling the wisdom of the masses, coordinating relations of various aspects, and really realizing the workers' role as masters. Certain enterprises have already obtained favorable experiences. The Capital Iron and Steel Company has, over the past several years, allowed the leaders to make proposals concerning production, business, distribution, and so on which are related to the overall interests and the personal interests of the workers and then pass on the proposals for discussion by the workers, thereby collecting rational opinions which can be included in the proposals. The proposals would then be discussed in the workers' congresses and would become official resolutions to be implemented. In accordance with experiences of certain enterprises, as far as discussing major decisions of the enterprises and protecting the legal rights of the workers are concerned, the power of the workers' congresses mainly involve the following three areas, the power to discuss major strategic matters of production and business, the power to adopt (or recognize) wage distribution for workers and, rules and regulations of the whole factory which concern the personal interests of the workers, and the power to decide questions concerning living and welfare of the workers.

[Third,] some people worry that allowing the workers' congresses to exercise the above power will affect the decisions of the factory directors and will hamper the implementation of the factory director responsibility system. We do not believe so. This is because when irrational opinions and suggestions are proposed by the workers' congresses in the course of discussion on major strategic questions, the factory director only has to make a good explanation and the workers' representatives will support the factory director's views. If the factory director has different views regarding the questions adopted at the workers' congresses within their

extent of power, he can request a second discussion; and when the second discussion does not reach a consensus, the higher levels should be informed for arbitration. It is of particular importance to realize the theory of equal power and obligations. As the workers' congresses exercise the power of democratic management, it must naturally bear the responsibility of motivating and educating the masses in smoothly realizing the correct decisions and supporting the leadership and command of the factory director. Some factory directors expressed with deep feeling that: Matters decided after discussions of the "workers' congresses" are supported by the masses and the work is satisfactory, the "workers' congresses" are my backers, and the masses are my strong shields.

Fourth, we must safeguard the working masses' right in exercising democratic supervision over the leaders. In the past, there were some leaders who had sinister ideology and work style and were persistently irresponsible. The masses were unable to do anything because the workers lacked the essential right to supervise and select leaders. After the implementation of the factory director responsibility system, the factory director has the right to appoint and dismiss middle-ranking administrative and leading cadres. However, in looking for and selecting middle-ranking cadres, the factory director should seek the views of the workers and respect their rights in choosing cadres. At present, some of the factory directors of our enterprises are appointed by the state, some are elected by workers' congresses, and some are recruited. All factory directors, whether state appointed, elected, or recruited, must be subject to masses' supervision.

Democratic supervision in the enterprises mainly involves two aspects: First, supervising to see that leaders at all levels correctly implement the state and party's principles and policies, go all out in their work and complete their tasks; second, to supervise the implementation of resolutions discussed and adopted by workers' congresses, to see which are being well implemented or not and which are changed and the reasons for such changes, and so on. Currently, many enterprises organize workers' congresses to regularly inspect and supervise administrative work and regularly assess leading cadres at all levels and conduct democratic questioning meetings and other activities, this is in fact an effective form of democratic supervision. The workers' congresses have the right to make proposals on appointments and dismissals, rewarding and penalizing cadres. The organs in charge at higher levels should attach importance to and support this right of the workers' congresses.

Fifth, it is necessary to strengthen the building of trade unions and give full play to their role in enterprise management. The trade unions are mass workers' organizations. The trade unions play a vital part in pushing forward the factory director responsibility system and promoting democratic management. Comrade Deng Xiaoping said: "The work of a trade union affects the exercise of the workers' right of being masters, affects the standard of enterprise management, and also affects the smooth exercise of centralized leadership." ("Selected Works of Deng Xiaoping," p 127) In accordance with experiences gained over the past few years, the trade unions must, in the course of enterprise management, participate in management and support the

factory director in the execution of his duties, protect the authority of centralized leadership and exercise its rights and play their roles, in accordance with the demands of the CPC Central Committee, in discussing major decisions of the enterprises, supervising administrative leadership, and safeguarding the legitimate rights of the workers. On the other hand, it is necessary to organize workers to take part in democratic management and promote the work of workers' congresses. The trade unions should play their roles in organization, education, and protection as far as workers' democratic management is concerned. The role of organization means, working together with relevant departments to establish and perfect various democratic management organizations and systems, prepare for holding workers' congresses and take charge of routine democratic management activities. The role of education means, by means of various forms and also democratic management activities, to educate the workers to realize their master status, the responsibility and role of being the masters; understand the mutual relationship between democracy and centralization, freedom and discipline, rights and obligations, individual and collective, state and enterprises, long-term and short-term interests; help the workers prevent and overcome the influence of erroneous concepts of individualism, departmental selfishness, liberalism, and hired hand mentality, and resolutely oppose deeds that violate labor discipline and deeds that infringe upon state and enterprise interests. The role of protection means being able to speak up and make practical proposals when the workers' democratic rights are infringed upon and when the workers' congresses are obstructed in executing their duties; and carry out resolute struggles against bureaucratism which suppresses democracy and sabotages democratic management and against the flaws of anarchism.

CSO: 4004/19

A BRIEF DISCOURSE ON CHANGING CHINA'S RURAL INDUSTRIAL STRUCTURE

Beijing RED FLAG in Chinese No 4, 16 Feb 85 pp 7-10

[Article by Chen Xiwen [7115 6932 2429] and Gao Shan [7559 1472]]

[Text] Economic development is a process of contradictory movements. In this process, as old contradictions are resolved, new contradictions are produced. In the present fine situation in the rural areas, new problems and new contradictions have appeared in this way. In order to accord with the changes during development and grasp the patterns of change, on the basis of past successes, it is necessary to resolve the new contradictions and new problems. This is the key to the present rural economic work.

I

The present fine situation in the rural areas is particularly demonstrated by the high growth rate in agricultural production over the past few years and the swift development of the commodity economy. In the 5 years from 1979 to 1983, our nation's overall grain output grew 27.1 percent, cotton output grew 114 percent, oil crop output grew 92.5 percent, sugar crop output grew 71.4 percent, and total agricultural output value grew at an average annual rate of 7.9 percent. This basically resolved the long-standing problem whereby the great lack of major agricultural products had restricted the development of our nation's economy. However, because the demands of the society's purchasing power could not adjust in a short time to this extraordinary growth in agricultural production, in 1982 the cotton market became saturated and in 1983 this was followed by the saturation of the grain market. It is forecast that the total grain output in 1984 will exceed 800 billion jin and that the total cotton output will exceed 110 million dan. This will result in further exacerbation of the difficulties in purchasing, marketing, transporting, and storing the grain and cotton.

The continued growth of agriculture and bumper harvests of grain and cotton are good things, relieving us of worries, but they also bring with them new problems. These are: On the one hand our country's per capita possession and consumption of agricultural products is not high, and with the exception of cotton, is generally below the world average. On the other hand, because the income level of urban and rural people at present is still low, the consumption level of foodstuffs in the society has still not been raised

greatly. Thus the scale of demand for agricultural products cannot rapidly expand. On the one hand, as the main source of income for our nation's peasants is still planting, the sales situation in terms of planted agricultural products has basically restricted the level of the peasant's income. On the other hand, under the effects of the patterns of market supply and demand, the market prices for our nation's major planting industry products are weakening and appear to be falling. This will present definite restrictions to the further growth of the peasant's income. While the state has done everything in its power over the last few years to expand purchases of agricultural products to assist the peasants in realizing the value of their products, agricultural products have still been overstocked in large quantities and they take up a great amount of state funds, which has had a great influence on the macroeconomy. The large-scale development of the commodity economy in the rural areas has just begun, yet in recent years the rural areas have had to face the test of having surpluses as the great increases in supply are met by a low level of consumption. These problems which lay before us have created real obstacles in further developing the rural areas.

II

If we wish to find an effective way in which to break through these obstacles, we must first clearly understand the social and economic causes of the above difficulties.

First, our nation has a population of 1 billion, 800 million of whom are peasants. Arable land is relatively scarce, with a per-capita average of only 1.5 mu. The cramming of an excessive labor force onto a restricted land area has resulted in a narrow scale of operations in agriculture and a low production efficiency. According to estimates, of the overall amount invested in the national economy, about 72 percent of labor and 23 percent of funds are invested in agriculture. However, the net production of agriculture only produces 28 percent of national income. For the investment of the same amount of labor and funds, the output level of agriculture is only about one-third that of the average level of industry, communications, construction, commerce, and such trades. This situation leads to an excessive use of social funds by agriculture and high costs, which gives rise to an excessive differential between the product price the peasants can accept and the prices the consumers can bear. This pricing factor restrains large-scale growth of the demand for agricultural products. This situation also leads to an excessive number of people producing agricultural products and an insufficient number of people consuming commodity agricultural products. The purchasing power of the society is insufficient and the scale of the market restricts a large-scale growth in demand for agricultural products.

Second, too much of the peasant population is crammed into the same production field. They rely on a narrow scale of operations and thus only provide the society with a limited number of surplus products. This can act as a compulsive mechanism, obstructing the development of the social division of labor and affecting the progress of the socialization and modernization of agricultural products. For a long time, the traditional rural industrial structure has conditioned the demand for agricultural products and the

consumption structure. It has also fettered the demand and consumption structure from becoming forces bringing about change to the rural production structure.

Third, the sluggishness of the rural division of labor will affect the speed and scale of the division of industry in the rural areas and will obstruct the transfer of resources to the areas where they are needed outside of agriculture. It will also result in it being difficult for an urban and rural division of labor to realize a quantitative leap in the wake of economic growth. If rural production continues to maintain its traditional structure and mainly supplies just basic foodstuffs and other primary products to the urban areas, it will be conditioned by the level of urban needs. The cities have a limited amount of funds and manpower, and while building new industries, they are encumbered by a large amount of primary processing industries for agricultural products which have a relatively low technical level. The urban areas and rural areas restrict each other, resulting in poor development of the overall social economy and a slow rate of national income growth. In an even larger scope, this results in the further development of the rural economy being restricted by the macroeconomic conditions. Thus, with the present framework of urban and rural economic relationships, agriculture will only be able to carry out some readjustments in regard to quantitative relationships. It will be difficult to achieve any transformation breakthroughs.

From this we can see that the new problems faced in rural development are not purely agricultural problems. They are reflections, in agriculture and in the rural areas, of overall national economic structural problems between industries and between urban and rural areas. For a long time, due to developmental patterns and economic systems, agricultural growth has been slow and the production enthusiasm of the peasants has been fettered. Even the very low level of demand for agricultural products by the society could not be met and thus this structural contradiction was concealed. After the 3d Plenary Session of the 11th CPC Central Committee, the successes in the rural areas gave impetus to the swift development of agriculture, and the number of commodity agricultural products also grew quickly. Following the satisfaction of the low level of demand, this structural contradiction gradually became clear. This is a challenge and also an opportunity. We should firmly grasp the present opportunity where national economic growth is relatively fast and there is an abundant supply of major agricultural products, push forward changes in the rural industrial structure, draw more agricultural labor away from the land, and gradually reduce the proportion of the population engaged in agriculture. We must change the employment distribution and promote a new urban and rural division of labor and the integration of urban and rural areas so as to lay a firm foundation for national economic modernization.

III

This transformation of the rural production structure is different from the previous readjustments which were purely concerned with quantitative relationships between crops, products, and departments within the agricultural

sector and which were carried out to satisfy a low level of agricultural product consumption. Basically, this transformation is intended to enable rural economic motivational mechanisms to accord with the need for our nation's macroeconomy to shift to a planned commodity economic system. Thus we must have a correct understanding of the conception of the rural industrial structure. Rural industrial structure refers to the linking of internal relationships among primary, secondary, and tertiary industries in the rural areas, which have as their base the rational deployment of resources and which are related to the need to diversify the macroeconomy. It also refers to those external quantitative proportions and components related to the arrangement of important factors, economic output, and similar targets. Based on this type of understanding, we can more simply summarize the basic aim of this transformation of the rural industrial structure as reforming the traditional rural industries and developing new rural industries so as to cause rural production to come onto the track of the planned commodity economy as quickly as possible.

The traditional industries of our nation's rural areas are mainly planting and animal husbandry. Their basic characteristic is that remaining primary products are supplied to the urban areas only after the needs of the rural areas themselves have been satisfied. This characteristic has resulted in our rural areas being closed off for a long time, forming a "pure agriculture" system of operation. Following an increase in the industrial means of production being put into agriculture, the revolving circle of "pure agriculture" has been broken. However, the economic set-up whereby the rural areas supply primary products to the cities and the cities export finished industrial products to the rural areas is unable to bring about basic changes to the traditional industries of the rural areas. As to agricultural production technology, although the inorganic materials supplied by industry have brought about great changes, the production chain of the traditional industries in the surrounding rural areas only extends as far as the production of primary products. Thus traditional rural industries cannot break away from the fetters of the "pure agriculture" system.

The final products of "pure agriculture," especially the primary products connected with foodstuffs, are mainly easily perishable, difficult to store and transport, and have a fairly low rate of practical utilization. Under the condition where processing, storage, and transport facilities are distant from the place of production, the above characteristics are both cause and effect, leading to some of the value produced in "pure agriculture" not being able to be realized, and to foodstuffs having high production costs and high prices. This is a great waste for both producers and consumers of foodstuffs. In regard to these problems in urban-rural division of work and "pure agriculture," in many developed countries it has been proposed to gradually realize the "merging of agriculture and industry." In other words, most of the transport, processing, and storage, and some of the marketing of primary agricultural products is handled by agricultural post-production departments, extending the agricultural production chain and reducing the distance between the production of agricultural products and the consumers. In such a way, information transfer and feedback in regard to the supply of and demand for agricultural products is much faster, reducing the blindness of "pure agriculture" production.

In "pure agriculture," planting and animal husbandry are two interdependent sectors. The flow and transformation of materials and energy between them is directly realized in their respective products through traditional technology. Thus, the transformation efficiency and economic results are extremely low, making it difficult for them to become relatively independent industries able to accord with the needs of a large-scale commodity economy. At present in our country there are many areas where there is too much grain and there is a restricted supply of animal products. This situation is essentially caused by the above. If we do not leap out of the set patterns of "pure agriculture" and expand the scale of changing plant protein into animal protein in our nation's agriculture, then many economic factors will restrict us. Under the condition of the "merging of agriculture and industry," in the transformation of products between the planting industry and animal husbandry industries, we should increase intermediate links based on advanced modern industrial technology. This refers to fodder processing and the processing of animal husbandry products and sideline products, as well as the comprehensive use of technology. This will not only raise the transformation efficiency and economic results, but will also result in there being industrial production links in the "pure agriculture" production process and will change the patterns of dependence between planting and animal husbandry industries. It will create the economic and technical conditions for increasing the speed at which plant protein is changed to animal protein within agriculture.

IV

The transformation of traditional rural production is in fact a process of the continuous industrialization of agriculture. That is, it is the continued development of various industrial production links in "pure agriculture" prior to production, during production, and after production. These links include the supply of some means of production, the processing, transport, storage, and sales of agricultural products, and various types of production technologies and operations management services which can be supplied through using modern science and technology and material equipment. It is very clear that these industrial production links are more responsive in regard to changes in social needs than is "pure agriculture" itself. Therefore, they are not simply subordinate to "pure agriculture," but are able to provide "pure agriculture" with positive guidance. This makes possible the redeployment of those resources which agricultural production requires in accordance with the actual level of purchasing power of the society. This further results in there being a close relationship between the traditional industries in the rural areas and changes in the needs of the overall macroeconomy.

The industrialization of agriculture has as a precondition the ability of "pure agriculture" to supply a sufficient quantity of primary products. This precondition has been initially met through the hard work in the 5 years since the 3d Plenary Session of the 11th CPC Central Committee. We should say that we already have the necessary material base to transform our country's traditional rural industries through the industrialization of agriculture. In traveling the road to the industrialization of agriculture,

we cannot relax in the planting industries, particularly in the production of grain crops. However, it is possible, through the division of the traditional rural industries, to transfer in a large-scale way into industrial links. Some of the labor force which has been excessively put into cultivating land. This will provide the possibility for planting industries to gradually expand their scale of operations. The reduction of primary product production costs through "benefits of scale" is one of the necessary conditions for guaranteeing the faster development of animal husbandry industries in a better economic situation. It is precisely on this base that we can achieve a continuous rise in labor productivity and economic benefits. The road to industrializing agriculture breaks through the parochial traditional concepts in understanding the agricultural production structure and allows us to see the close relationship between agriculture and industry and between agriculture and the whole national economy. It also lets us see the wealth of levels and the diversity within agriculture. Therefore we can clearly discern the broad prospects for the development of agriculture itself.

The transformation of our nation's rural production structure must be based on our nation's concrete conditions. At the same time as transforming the traditional rural industries, we must actively develop new rural industries. That is, we must develop rural industry. What is referred to here as rural industry mainly refers to typical industries which have no direct technological relationship with traditional rural industries. In the last few years, the divisional trend in rural industries has become clear. If the development of village and town industries is restricted within the scope of the "three locals" [san jiu di 0005 1432 0966], it will not only be disadvantageous to bringing into play the latent production capacity in the rural areas, but will also be disadvantageous to finding a permanent cure for the "bloating sickness" which afflicts large and medium-size cities due to the continuous expansion of their industry.

The development of rural industry will cause more and more of the rural labor force to move to industrial production. Through this, the structure of rural economic income will see great changes and the modern urban and industrial civilization will spread more quickly in the rural areas. This will in turn lead to obvious changes in traditional rural life and consumption patterns. Industrial production is mutually dependent on and conditioned by material and technical relationships, objectively requiring the distribution of enterprises to be relatively centralized. The establishment of various public undertakings representing modern civilization must also accord with a certain degree of population centralization so that they can fully bring into play their proper social benefits. Because of these two objective demands, the rural population will gradually tend toward centralization, which will lead to the gradual urbanization of the rural areas. The urbanization of the rural areas will also result in the tertiary industries having the necessary social and economic conditions for their full development in the rural areas. Therefore, the urbanization of the rural areas will also prevent a large portion of the rural population from blindly rushing to the cities. Thus, the rural labor employment situation will gradually tend toward rationalization.

The industrialization of agriculture and the urbanization of the rural areas is naturally a long-term process of development. However, at present in a number of rural areas in developed regions of our nation, we have already seen the first signs of these two trends. Therefore, if we are not able to conscientiously grasp this orientation, the goals of the transformation of the rural industrial structure may become unclear, as we will lack an overall picture. At present, we must recognize that there are structural changes occurring in the planting industries, in general agriculture, and in all rural industries. We must rapidly recognize clearly the trend of economic and social development in the rural areas. This will be beneficial to our obtaining a relatively complete and systematic understanding of the structural changes occurring at the three levels and in reducing one-sidedness and blindness in work guidance. On the other hand, we must recognize that on the road to agricultural industrialization and rural area urbanization, apart from certain fetters which still exist within the economic system, there are still great obstacles in the material interflow and the energy transfer within the rural areas and between the rural areas and the urban areas. These obstacles are the deterioration of the agricultural ecological environment and the serious insufficiency of basic facilities such as transport and energy within the rural areas. When we have understood the general trend of rural development, we should grasp the historical situation which has appeared at present, in which there is a relative surplus of agricultural products, and attract more rural funds and labor into repairing the agricultural ecological environment, building basic facilities, and so on. We should work hard at doing well in those undertakings which were not handled properly in the past, so as to gradually open up a channel for the industrialization of agriculture and the urbanization of the rural areas.

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AN INVESTIGATION INTO THE REFORM OF THE WUHAN CITY VEGETABLE PRODUCTION AND MARKETING SYSTEM

Beijing RED FLAG in Chinese No 4, 16 Feb 85 pp 11-14

[Investigation report by Lin Nan [2651 0589] and Xu Ke [6079 2688]]

[Text] Reform Was Imperative

Wuhan is one of our nation's several large cities. The population of the city proper is 2.7 million and if we add the transient population, there are about 3 million people who eat vegetables. For a long period, vegetable production and marketing in Wuhan was, like in other large cities of our nation, continually subject to unified purchase and marketing. This system was unable to give production and marketing units operational autonomy because government and enterprise functions were not separated and management was centralized to a high degree. It neglected the role of the law of value and seriously dampened the enthusiasm of vegetable growers and those who sold vegetables. This resulted in there being little variety and poor quality of vegetables in the state-run vegetable markets. In peak seasons, the vegetables rotted while in off-seasons they were unavailable. There was poor service quality and other such problems which for a long period remained unsolved.

After the 3d Plenary Session of the 11th CPC Central Committee, following the development of production and the continuous increase in the level of consumption by the masses, there was a greater demand for vegetables. The people started to express more ideas on the supply situation in state-run vegetable markets and demands for reform of the vegetable production and supply system grew stronger day by day. In regard to the new situation in the vegetable markets, in 1983, the Wuhan City People's Government set about exploring reform of the vegetable production and marketing system. It successively put forward over 20 programs and invited relevant specialists, academics, and management cadres to repeatedly research their feasibility. Finally it was decided that from July 1984, the production and marketing of vegetables would be completely opened up, and that a multi-channel open circulation system with few links would be established.

Completely opening the markets was a basic reform when compared to unified purchase and marketing. Six months of practice have shown that, although some aspects still need to be perfected, in general the reform is a success.

Managing Things From Both Ends, Enlivening the Middle, and Bringing Into Play the Role of Market Mechanism

The reform of the Wuhan city vegetable production and marketing system can be summed up into two aspects. The first is the reform of the planning management system, the reduction of mandatory planning, the expansion of guidance planning and the placing of stress on bringing into play the role of market mechanism. The second is the reform of the pricing management system, the abolition of fixed planned prices, the institution of floating prices and free prices, and the placing of stress on bringing into play the role of the pricing lever. In their own words, this is called "managing things from both ends and enlivening the middle."

When they speak of managing things from both ends, one of the ends referred to is the handing down of guidance plans to the city government to all vegetable-growing areas in the city. The vegetable farmers must guarantee that vegetable plots will be planted with vegetables. When farmers contract for vegetable fields they are given a land-use certificate which will remain unchanged for 15 years. They are not allowed to leave their fields uncultivated or allowed to plant other crops. At the same time, they continue to implement policies such as supplying vegetable farmers in the suburban vegetable bases with grain rations and the means of production at cheap prices, returning some of the profits from industry and sideline industry to subsidize vegetable farmers, and purchasing at guaranteed prices when the floating prices fall to their lowest limit. The other end is that the vegetable markets must mainly concern themselves with selling vegetables. The state-run retail vegetable markets have implemented "guaranteeing five and striving for six" on the basis of their original supply framework. That is, they guarantee the supply of half a jin, and strive to supply 6 liang of vegetables per resident every day. If the monthly plans are completed, they are given a bonus of 3 percent of the amount sold. If the monthly plans are completed every month for a year, they are given a further 3 percent bonus, making a total of 6 percent.

Enlivening the middle actually refers to three things. The first is changing mandatory planning for vegetable production into guidance planning, giving vegetable farmers freedom in terms of the specific varieties planted. The second is changing unified purchases and sales into multichannel marketing. The 10 purchasing stations subordinate to the city vegetable company have been changed into wholesale trade markets. Vegetable farmers, state-run vegetable markets, organs, factories, schools and individual traders can all go and conclude business transactions freely. State-run vegetable markets, organs, factories, schools and individual traders can go to the fields to make purchases too. Vegetable farms can organize vegetable markets themselves and deal wholesale or retail. They can form combinations with state-run vegetable markets or other units and they can also go freely to the agricultural trade markets. The third is changing fixed planned vegetable prices to floating prices and free prices. There are about 50 varieties of vegetables which are regularly supplied to the consumers. Of these, 18 have a decisive role in the market and thus have median prices set by the city vegetable company. It is permissible to set prices 50 percent above or

below these set prices. The prices of other varieties of vegetable can follow the market.

Initial Results of the Reform Are Already Being Seen

1. The markets have been enlivened, purchases and sales are brisk, and the masses find things convenient.

Not long after the reforms, the autumn slack period commenced. However, the amount of vegetables coming onto the market was quite adequate at all times. This was seldom seen in previous autumn slack periods. According to incomplete statistics for August, September, and October, a daily average of over 2.2 million jin of vegetables reached the city's markets. This provided an average of about 8 liang of fresh vegetables per person. In the past, under mandatory planning, the situation of "regular daily supply" and "even daily supply" was never achieved. It has only come about since the production and marketing of vegetables was completely freed. The quality of vegetables has also obviously improved. In August, September, and October first-class vegetables coming onto the market accounted for over 90 percent of all vegetables, instead of the 35 percent prior to the reforms. Previously, it was a case of "old, large, coarse vegetables were bought by the state, while young, fresh, crisp vegetables were sent to the agricultural markets." Now it is a case of "old, large coarse vegetables are tossed back into the fields, while young, fresh, crisp vegetables are transported to the cities." The consumers have indicated that in the past it was quite often the case to only be able to eat 60 percent of vegetables purchased and have to throw out the other 40 percent. Now they say it is unusual to have to throw away 20 percent of anything. Now it is a case of washing, cutting, and putting them straight into the pot. Not only is the market supply sufficient and the quality good, but the number of varieties has also increased. Previously, in the autumn slack period, the two "standard vegetables" white gourd and zhu ye cai [4554 0673 5475] were the main family fare. Since the reform, even in the periods when fewest varieties are available, there are still over a dozen to choose from. Formerly, in the autumn slack period, kidney beans, bitter gourd, towel gourd, cucumbers and eggplants were usually in short supply, but since the reforms, the supply has doubled and redoubled. As network points increased, it became more convenient for the masses to buy vegetables. After production and marketing of vegetables was opened, the number of central agricultural trade markets grew from 72 to 112. Also a large number of vegetable farmers set up vegetable shops themselves or in combination with others. Now that there are multichannel operations, the state-run vegetable markets have also changed their operating style of "sitting in the shop waiting for customers." They have increased the number of mobile service points and they push carts along the streets to sell vegetables. The consumers have indicated: "We have really benefited and hope that the reforms will be long-lasting."

2. Arousing the enthusiasm of the vegetable farmers for production.

After the rural areas instituted the production responsibility system where contracts were mainly arranged on a household basis, the vegetable farmer's

enthusiasm for production increased. However, because the production and marketing system had not been reformed, the vegetable farmers still lacked autonomy in terms of planting and sales. In addition, planned prices of some vegetables did not reflect the supply and demand situation. Thus the enthusiasm of the vegetable farmers was not fully brought into play. In some places, vegetable field contracts could not be concluded, and some fields were even left uncultivated.

After vegetable production and marketing was freed, the vegetable farmers began to seek land instead of handing it back. Some who had engaged in industry in village and town enterprises wanted to return to their homes to plant vegetables. Middle-school students who had returned to their villages and retired vegetable farmers all wanted land to plant vegetables. Villages, where previously contracts could not be concluded, now do not have enough land to allocate. After the enthusiasm of the vegetable farmers for planting vegetables had been aroused, there was intensive cultivation, an increased amount of fertilizer was applied, and per unit yield increased notably. At the same time, there were initiatives to readjust the product mix, and to plant vegetables in accordance with the market demands. After the reforms, at the time of autumn sowing, the area planted with spinach, garlic, cauliflower, lettuce and other vegetables the masses like to eat was greatly increased, while the areas planted with common vegetables such as Chinese cabbage, cabbage, radishes, and Tianjin cabbage saw marked decreases. For any kind of vegetable, if attention was paid to sowing it at arranged intervals, and an effort was made to supply it in a balanced way to the markets, the prices obtained were good. A vegetable farmer in Heping village said: "Now that the policies are flexible, I can decide to take vegetables to market in accordance with the market demand. When vegetables are in great supply I do not go and when vegetables are in short supply I go several times a day."

After the vegetable farmers were given production and sales autonomy, the economic results also increased markedly. Hongshan [3163 1472] District, which supplies 85 percent of the vegetables brought to the markets, saw an increase in vegetables brought to market in the August to December period of 27.8 percent over the same period in the previous year. Its income increased by over 10 million yuan. The average increase in income for each vegetable farming family in the district was over 172 yuan.

3. Bringing vitality to state-run vegetable markets.

When unified purchase and marketing was practiced, the city vegetable company, as the source of all goods in the retail vegetable markets of the city, adopted a unified allocation system, based on mandatory planning. In the peak season, as the allocation of vegetables grew more excessive, the losses increased. In the slack season, allocations were insufficient and the market takings decreased, so they sat on the "wooden stool" of state subsidies and "ate from the big pot." After vegetable production and marketing was opened up, the situation of sole operation was broken down and state-run markets obtained autonomy in replenishing their stocks. In addition, within the enterprises, various types of responsibility systems

were conscientiously implemented. This greatly aroused the enthusiasm of the staff and workers for operations, resulting in very obvious changes in the situation of the state-run markets. It swept away the "official commerce" work style.

4. Financial subsidies have been reduced.

When unified purchases and marketing was practiced, the vegetable farmers put more stress on quantity and did not pay attention to varieties or quality. "Old, large, coarse" vegetables flooded the market. Production was divorced from marketing and the losses which occurred through spoilage in the peak seasons were astonishing. The 10 purchasing stations and 108 retail sales markets in the city had to dispose of about 100 million jin of rotten vegetables every year. This was one-eighth of all vegetables sent to market. In order to cart away the "vegetable rubbish," cleaning fees of over 400,000 yuan were paid yearly. Since 1981, the annual financial subsidies have been over 10 million yuan. For 1984, it was estimated that a subsidy of 9 million yuan would be required. Prior to the reform, from January to June, over 70 million jin of rotten vegetables had to be disposed of, incurring a loss of 6.25 million yuan. After the reform, from August to December, 1.686 million jin of vegetables were disposed of, a decrease of 82.3 percent on the same period in the previous year. The loss attributed to policy was 1.9 million yuan, a reduction of 51 percent on the loss in the same period in the previous year.

In addition, after the production and sale of vegetables was opened up, the relationship between the cadres and the masses also improved. Formerly, because village cadres had to complete pressing plans in terms of getting vegetables to market, they adopted all sorts of measures, such as blocking the way, intercepting, and imposing heavy fines to prevent "free marketing." Thus the relationship between the cadres and the masses was extremely strained. Now, the village cadres can concentrate their energy on handling service before, during, and after production. Most villages now have their own seed supply, technology guidance, and means of production service stations to assist the masses in resolving difficult problems in production. Thus relations between the cadres and the masses have gradually become more harmonious. Since the reform, the relationship between the farmers and the commercial sector has also improved. Previously, in the relations between the farmers and the commercial sector, there were problems such as forcing down the level of prices and refusing to purchase. A small number of vegetable farmers "concealed the low quality vegetables" and passed off poor quality vegetables for high quality ones. Each side had its own methods. There were continual disputes over trifles and sometimes fights resulted. Now, the vegetable purchasing stations have become wholesale trade markets, and of their own initiative have become "matchmakers." With one action, they help two sides, and they enthusiastically admit vegetable farmers to trade. Some vegetable farmers have said: "Before, we had to seek them out. Now they warmly invite us, like members of the same family."

Vegetable Prices Are Basically Stable and Rational

After vegetable production and marketing was completely freed, the thing people were worried about was whether vegetable prices would skyrocket, thereby harming the interests of the consumers. This worry was certainly not groundless. Just after Wuhan city implemented the reforms, the price of some vegetable varieties increased by one hundred to several hundred percent. Kidney beans retailed at 28 fen per jin, Chinese cabbage at 18 fen per jin, and radishes at 12 fen per jin. The previous year in the same period, the prices in state-run vegetable markets were 13 fen, 4 fen and 6 fen respectively. This was a great talking point among the masses. The Wuhan city government had prepared for this and introduced several measures. First, the vegetable company purchased Chinese cabbage and several other varieties at high prices and sold them at low prices, with financial subsidies being used to cover the sales of some of the low-priced Chinese cabbage, so as to keep the market prices down. Although 107,000 yuan was employed for this, unlike wasting it on "rotten vegetables" as was done previously, this time the masses realized real benefit. Second, it actively organized the purchase of vegetables from other areas to increase the varieties and reduce the demand for the above-mentioned vegetable varieties. Third, it organized a specialized price inspection contingent, to get deep into the various vegetable markets to carry out inspection and supervision, and to deal swiftly with any problems. Fourth, the city government leaders personally engaged in propaganda and education for the vegetable farmers, requiring them to take care of the overall situation, to support the reform, and to take a long-term view. The result was that the price of Chinese cabbage, kidney beans, and the other varieties of vegetables fell quickly.

After Wuhan city's vegetable situation was opened up, there was an increase in the average price of vegetables, but not to a large degree. From August to December, the retail price of each 100 jin of the major vegetable varieties averaged 8.75 yuan, an increase of 16.8 percent over the same period in the preceding year. The price of some of the vegetables declined over the months. The consumers have indicated that, in general, they are able to bear the vegetable prices. Their reasons are as follows:

1. The quality of the vegetables has improved. When there was unified purchase and marketing, many of the vegetables were partly rotten. The edible portion accounted for about 60 percent of the vegetable. Now this rate is about 80 percent.
2. The vegetable consumption structure has changed. Formerly, under unified purchase and marketing, the number of varieties steadily declined. After the opening of the vegetable situation, the number of varieties increased and the consumer demand for medium- and high-grade vegetables increased. For example, after the reforms, in August 1.22 million jin of kidney beans were sold, while in the same period of the previous year only 490,000 jin of the beans were sold. Also, the sales volume of water spinach fell to only one-sixteenth that in the same period of the preceding year. The increase in the amount of money spent on vegetables is also related to changes in the consumption structure.

3. There has been an overall downward trend in vegetable prices at the agricultural trade markets. Before the reforms, in the state-run vegetable markets, there were quite often prices for certain vegetables but no stock. The posted prices had no significance for the consumers, and the residents obtained about one-half of their vegetables from agricultural trade markets. After the reforms, a small number of prices in the agricultural trade markets remained at about the same level as they were in the same period the previous year, but a large number of prices dropped, with the average drop being 12.9 percent.

4. Sources of goods are becoming increasingly plentiful. After the opening up of Wuhan city's vegetable purchasing and marketing, the various surrounding counties advised that they wanted to capture the Wuhan vegetable market. Previously, only about 20-plus counties regularly supplied vegetables to Wuhan. Now this has increased to about 30-plus counties.

The Role of State-Operated Commerce as the Major Channel Cannot Be Weakened

After the opening of vegetable production and marketing, the people's government of the city still paid attention to bringing into play the role of state-operated commerce as the major channel. The city vegetable company is responsible for: Organizing things both within and outside the city and organizing readjustment in case of surpluses or deficiencies within the wholesale trade markets of the city; using economic and administrative measures to supervise, speed up, and guide state-run vegetable markets in implementing the plans for "guaranteeing five and striving for six"; guaranteeing purchase prices when floating prices fall to an excessively low level; and guaranteeing the interests of the vegetable farmers and their enthusiasm for production. Also, when floating prices skyrocket, it must implement inverted purchase and marketing and utilize financial subsidies in order to keep prices down.

The idea which holds that, as the vegetable markets are now open, state-operated commerce should have nothing more to do with them, is an incorrect one. A socialist economy is a planned commodity economy. During reforms, we must even better bring into play the role of state-operated commerce as the main channel. Previously, it did not concern itself with key points and solely relied on administrative measures and mandatory planning. The result was that vegetable markets were managed too tightly. Now attention is being paid to utilizing the law of value and bringing into play the role of economic levers. The market has been enlivened and state-operated commerce must bring into play its role as the main channel.

At present, state-operated commerce when participating in market regulation, also faces some new difficulties. There is a need to continuously sum up experiences in order to resolve these problems. After the city vegetable company's purchasing stations became wholesale trade markets, the posted floating prices were in general lower than those in the agricultural trade markets but the markets were not lively enough. The vegetable farmers were not too willing to go into them to trade, and the business volume fell by two-thirds compared with the period before the reform. State-run

retail vegetable stores have, under the multichannel operating conditions, also seen a reduction in their volume of operation. This has brought with it the problem of surplus staff. The city vegetable company has paid attention to this matter and actively led the staff in exploring new avenues. They have encouraged the vegetable markets to center on the world "vegetables" and to engage in diversified operations such as processing pickled products, processing bean products, preparing soy-sauce meat products and so on. This will enrich the market and satisfy demand and will also make use of the surplus staff and increase the income of the market. This is killing many birds with one stone and already, initial results have been obtained.

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THINKING OF THE 'RULE OF VERBAL BATTLES'

Beijing RED FLAG in Chinese No 4, 16 Feb 85 pp 15-16

[Article by Shao Yanxiang]

[Text] Precisely 100 years ago, that means in 1885, in his preface to the second edition of "Anti-Duhring," Engels said that since the University of Berlin had deprived Duhring of his freedom to teach, he "must observe the rules of decency in literary warfare all the more strictly."

In his "Anti-Duhring," Engels mercilessly refuted Duhring's "systems" in philosophy, political economy, and socialism, which, according to the latter, contained the ultimate absolute truth, thus displaying an uncompromising and principled Marxist spirit. Engels "knew Duhring thoroughly" and he had "thoroughly exposed" Duhring's distortion of science and his political opportunism. However, he did not think that Duhring should be relieved of his teaching post. Still less did he take pleasure in Duhring's misfortune or kick him when he was down. Rather, he criticized the University of Berlin for the "injustice it has done" to Duhring, his adversary.

Engels could display such tolerance and broad-mindedness precisely because he profoundly believed that truth was on his side. Thus, he did not find it necessary to resort to means other than his own words in literary warfare. A true soccer player kicks the ball, not the people.

However, unlike Engels, Duhring, the "new convert," did not "observe the rules of decency in literary warfare." What he had done had in fact gone beyond the bounds of "literary warfare." "Herr Duhring and his little sect were using all the arts of advertising and intrigue to force THE VOLKSSTAAT to take a definite stand in relation to the new doctrine which had come forward with such mighty pretensions." For example, when Liebknecht, chief editor of THE VOLKSSTAAT, refused to accept an article written by a man named En Si [1869 2448] to flatter Duhring, they raised objections and organized a series of activities which went beyond the bounds of "literary warfare" in an attempt to seize the leadership of the newspaper of the central organ of the Social-Democratic Party, which was then still in its infancy. Perhaps if Duhring had been born a century later, he would, with pleasure, draw on some Oriental "experience" and, just as Chen Boda marched into RENMIN RIBAO on 1 June 1966, march into THE VOLKSSTAAT and dismiss chief editor Liebknecht!

The University of Berlin had deprived Duhring of the right to teach. This move was not as simple as its appointment of Schwenninger, the "iron and blood chancellor" Bismarck's personal doctor, as a professor. The background was quite complicated and there is no need to comment on it for the time being. Let us imagine: If Duhring had been put in charge of the university, and if Engels had also happened to hold a teaching post in that university, then it would not be very unlikely that the arrogant Duhring would have dismissed Engels and said: "It is not suitable for Engels to teach in the university."

"The duration of a century is as short as that of a dream." Engels' style will forever be with us, but Duhring has perished--his "system" is now found in the pages of "Anti-Duhring" as a sample of fallacy.

At present, we should adhere to the principle of letting a hundred flowers blossom and a hundred schools of thought contend and study again what Engels said 100 years ago: "Observe the rules of decency in literary warfare." That means that in addition to respecting facts and not distorting the views of our adversaries or stealthily revising our own views when arguing about cultural or academic issues, we should first uphold equality, protect the right to countercriticize, and not stick political labels on one another when discussing academic issues. "Errors and problems in literary creation can only be resolved through literature and art comment, criticism, discussion, and debate, so long as they do not go against the law. We must ensure that the criticized writers are not discriminated against politically and are not administratively or organizationally punished." In other words, "literary warfare" should involve only pens, not real weapons. This should be the practice in literature and art as well as in the cultural and academic circles.

This understanding of ours today is a result of our return, after we had stuck to a roundabout course for several decades and summarized the experience paid for in blood, to the principles adhered to by Marx and Engels throughout their lives.

In academic and cultural circles, as a result of free criticism, all false things, evil things, and ugly things will be unable to escape people's eyes, and truth becomes clearer through debate. Only by ensuring from all angles that we "observe the rules of decency in literary warfare" can we have the freedom to create and to criticize and really let a hundred flowers blossom and a hundred schools of thought contend. Only by implementing the principle of "letting a hundred flowers blossom and a hundred schools of thought contend" can we help academic and cultural work, truth, and Marxism to develop. Thus, those who believe in truth and have confidence in the vitality of Marxism will subscribe to the slogan that the freedom of creation and criticism should be protected and endorse the principle that "one must observe the rules of decency in literary warfare."

Players in the field are punished for attacking others; similarly, it goes without saying that people involved in a literary war should not attack their adversaries. This will be supported even by children who can barely distinguish what is civilized from what is not. Truth is always simple.

ANOTHER SIDE TO THE 'SELECTION AND PROMOTION OF WISE AND CAPABLE PERSONS'

Beijing RED FLAG in Chinese No 4, 16 Feb 85 p 16

[Article by Zhai Shui [5049 3055]]

[Text] In recent years, changes have taken place in the contingent of cadres. Through the process of selecting and promoting wise and capable persons, a large number of people who are in the prime of life and who have both talent and pioneering spirit have been promoted to leading posts. This is an indication that our cause is flourishing and developing. All comrades have been pleased at and are all for this. However, there is another side to the "selection and promotion of wise and capable persons," that is, some people who have recently been promoted to leading posts are failing to apply drastic and strict measures. They are at a loss to know what to do in the tide of reform and fail to open up a new situation. Leaving aside the question of whether or not such people are wise, we can be sure that they are not capable. Naturally, the promotion of such people may not be the result of their volunteering their services but of the "selection" and "promotion" by certain persons in the former leading bodies.

Since we should adhere to the principle of "selecting and promoting wise and capable persons," why have they promoted people who lack pioneering spirit and capability? There are only two possibilities: First, the selector perceived only certain particular features of these people, such as "being obedient" and diligent in his presence, and, being confused, overlooked their lack of capability in opening up a new situation and so selected the wrong persons; second, not being a bold leader in carrying out reform, the selector looked for and selected qualified personnel with himself as a model. He did not like people who dared to blaze new trails because he was afraid that, after being promoted to leading posts, they would destroy the old, establish the new, and thus infringe upon his vested interests.

This shows that although the meaning of "selecting and promoting wise and capable persons" is clear-cut, the results can differ when it is carried out by different persons. In my opinion, in order to genuinely select wise and capable persons and promote them to leading positions, it is better to discard the practice of one person determining the selection and promotion of cadres. Otherwise, the selection and promotion of cadres will become a mere formality and the result can only be the same type of leaders

succeeding former ones. If such is the case, will there be any difference between the former and the succeeding leading bodies?

Naturally, I do not mean that a person should not make recommendations or air his views, but rather that we should listen extensively to the views of the masses in determining whether a person is "wise" and "capable" and let the organization judge and decide. Moreover, after the "wise, talented, and capable persons" are promoted to leading posts, it is still necessary to look at their deeds and achievements. If they are doing well, they should remain in the leading posts; if they are not, they should be transferred to other, more suitable posts. Those who remain at their work posts by no means sit on iron chairs. What if they are doing well today and do badly tomorrow? In that case, we shall have to make new readjustments. In short, those who have been proved in practice to be unworthy of the posts might as well "resign voluntarily." Act and make contributions according to one's capability. This, after all, is a wise act worth commending.

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WHICH ARE THE CONCEPTS TO BE ENHANCED IN IDEOLOGICAL AND POLITICAL WORK?

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[Article by Liu Ji [0491 0679]]

[Text] Concepts, a reflection of objective reality in people's minds, can in turn influence and dominate people's action. The outmoded concepts in our minds, including certain obsolete language, are the results of past history. In order to eliminate rigid patterns in the course of economic reform, it is necessary to first transform outdated concepts and consolidate new ones. The party's ideological and political workers also have the problem of reunderstanding ideological and political work in the new period. They should free themselves from the fetters of outdated concepts and use new standards, ideas, and feelings to judge new people and things. In order to suit the needs of reform, I think our ideological and political workers should consolidate the following 10 concepts in their work:

First, they should consolidate the concept that workers and staff members are masters of enterprises. It is determined by the nature of socialism that workers and staff members are masters of enterprises. This is a matter which must never be neglected. In conducting ideological and political work, we must regard the workers and staff members as masters and respect them. For a long time in the past, ideological and political work was conducted by giving administrative orders and was even regarded as a means to deal with the workers. For example, the practices of "killing the chicken to frighten the monkey" and "executing one as a warning to a hundred" created a very bad impression. The workers with all sorts of shortcomings were, in particular, treated differently. The working class is composed of the advanced, the intermediate, and the backward. We cannot exclude the backward from the ranks of the working class. In conducting ideological and political work, we must persist in convincing people by reasoning and persuasion and not by always criticizing them. In connection with the education on totally negating the "Great Cultural Revolution" at present, we must eliminate the influence of the "left" deviation and sort out the contents, forms, methods, and language of ideological and political work. The workers' initiative, enthusiasm, and creativity depend on their socialist consciousness and their devotion to work. Such consciousness and dedication can take shape gradually in the course of study and practice. The task of our ideological and political work is to guide action adroitly.

according to circumstances and constantly heighten their consciousness and awareness.

Second, they should consolidate the concept on economic results. What is politics? Before the proletariat seized political power, politics meant class struggle. After the proletariat seized political power, particularly after the abolition of the exploiting class, the dominant politics meant developing the productive forces and economic construction. Political workers should be economically minded. We must proceed from production in conducting ideological work and start with ideological work in grasping production. We must have a pretty clear idea of economic work and concern ourselves with enterprise production, economic results, and the workers' life. Poverty is by no means socialism. In the past, we "took class struggle as the key link," vigorously "put politics first and above everything else," and neglected economic accounting, which resulted in seriously deviating from practice and production, cutting ourselves off from the masses, and discarding the fine tradition of ideological and political work of our party.

Third, they should consolidate the concept of Marxist material benefits. The influence of the "leftist" omnipotent spirit was deep-rooted in ideological and political work in the past. The cadres in charge of political work were responsible for handling the ideological and practical problems of the masses. When they failed in persuasion, they resorted to coercion. Thus, the masses were filled with fear at the sight of political workers and detested them. Some of the cadres in charge of political work dared not speak of material benefits and "more pay for the advanced." It seemed that the advanced and models were the so-called "gentlemen" who "sought for righteousness" and not the "villains" who "sought for benefits." Such an idea must be transformed. We must be aware that implementing the Marxist principle on material benefits and adhering to "distribution according to work" also belong to ideological work, which embody the socialist ideas, spirit, and morality.

Fourth, they should consolidate the dialectical concept of judging people. Ideological and political work is related to the people as it deals with the people all day long. Therefore, the key to doing well ideological and political work lies in correctly judging people. It is a metaphysical view to demand that people become "perfect." "There is no pure gold or perfect man." Similarly, we should not demand that everyone become perfect. It would bungle matters and harm the people if we appoint them according to their positions and seniority and judge them in light of our impression. We should know that there can be no peaks without valleys. It conforms to dialectics to assign jobs to people according to their abilities and to make full use of their strong points while tolerating their shortcomings. In judging people today we cannot follow the beaten track and regard those with a bad class origin as persons who are politically unreliable, those who fail to regularly report their ideological progress and problems to the party branches as persons without a sense of organization, and those criticized by others as persons being divorced from the masses. Actually, whether they can create a new situation, produce more wealth, and make

contributions to the development of our country and nation should be the main criterion for judging people. We must boldly affirm, commend, and award the people who have made significant contributions and put them in important positions. We often say that we owe all our achievements to the party and the masses. This is undoubtedly correct. It would be more correct if we also say that we owe all our achievements to the people with knowledge and technical skill who have made contributions.

Fifth, they should consolidate the concept on efficiency. Time means money and efficiency means life. In conducting ideological and political work, we should stress efficiency and oppose formalism. Seeking truth from facts and striving for efficiency are matters related to the ideological line as well as the world outlook. Our ideological and political work should not one-sidedly pursue holding 100 talks or making 50 visits, but must see whether the problems are solved. If the problem is solved on the first occasion, why is it necessary to hold 100 talks? If the talks break down on each occasion, it is better not to talk than to talk a hundred times. Such ideological work which pursues formality is harmful to the people and ourselves. Although we should not reject the necessary forms, we must try to avoid formalism. As the enterprises are universally implementing various forms of economic responsibility systems and each worker is responsible for fixed quotas, it would be inappropriate to use working hours to hold heart-to-heart talks with the workers. Moreover, we must stress practical results and make the talks as short as possible because workers may also be occupied during their spare time after work.

Sixth, they should consolidate the concept on information. Everything is changing fast in the era of information. Due to the reform of the economic structure, the open-door policy, and the enlivening of the domestic economy, enterprises are now situated in an environment in which all kinds of information, including fresh air as well as stinking dirt, are swarming forward. In our ideological and political work, we must attach great importance to the collection, analyses, storage, and transmission of information. Nowadays people usually regard mastery of knowledge and skills for building socialist modernization and the widening of their field of vision as the criteria for judging the value of ideological education. Ideological and political work should provide the people with fresh information, enrich their knowledge, and enhance their skills. However, our ranks of ideological and political workers are ill-informed and do not have quick access to information. As a result, our ideological and political work has encountered the following new challenges: Those with less information are challenged by those with more information; those with late information are challenged by those with quick information; and those with outdated information are challenged by those with fresh information. The vast numbers of workers and staff members have acquired a wide range of knowledge, mastered various skills, and have been active in thinking. In order to publicize their deeds, encourage them, and conduct ideological and political work well among them, we should adapt ourselves to the developing situation, adopt quick and flexible measures to suit the practical circumstances, and take note of studying the various needs of the masses. We should not regard ideological and political work as a matter "to be preached by mouth,

written on paper, and addressed at meetings." In our ideological work, we should "break up the whole into parts." Its purpose is to "make up the parts into a whole" and enable the workers' proletarian world outlook to take shape. Ideological and political work covers much ground and involves a variety of problems to be solved. It requires systematic basic theories of Marxism as well as extensive knowledge; and the fostering of communist ideals and moral values as well as the enjoyment of varied and healthy cultural amusement. Therefore, we must try to create various forms and conduct ideological and political work in a vivid manner so that the masses are willing to accept it. Our ideological and political workers should have extensive knowledge. "In order to give others a gourd of water, you should possess a bucket of water." Without extensive knowledge, it would be impossible for a mediocre master to teach a bright student.

Seventh, they should consolidate the concept on competition. Socialist enterprises should coordinate with and support each other. But this does not mean to reject competition. Commodity production is bound to lead to competition. Our ideological and political work should encourage competition. Naturally, some negative factors may appear in the course of competition, but these factors can be solved in practice. Our ideological and political work should enhance the people's confidence in winning in competition. In other words, we should enhance their spirit. A country should have national spirit, an enterprise should have reputation, a contingent should boost its morale, and a man should have high spirits. We must encourage the workers and staff members to win first place in their trade, the country, and the world. The workers of some factories have compiled factory history, sung factory songs, worn factory badges, and fostered factory style, which they regard as the "factory spirit." This is an invisible force which can stimulate and nurture the spirit of the workers in forging ahead, cherishing their factories, and being their own masters. Such spirit can be transformed into material force and can promote the development of production.

Eighth, they should consolidate the concept on modernization. We are now carrying out the building of socialist modernization and the whole society is advancing toward the goal of modernization. Our ideological and political work should be suited to such a situation. First, we must modernize and make the means of ideological education three-dimensional as quickly as possible. We must help the broad ranks of workers widen their field of vision and enrich their knowledge by means of radio, press, films, television, video, and computers. Second, we must correctly treat the beautification of the workers' lives. Provided the workers have become rich through hard work and have obtained better income by appropriate means, we should not interfere in their life styles. Eating and drinking are the basic conditions for living. How can we live without eating and drinking? If conditions permit, eating and drinking well are needs of those who are extremely hard-working; and pleasure-seeking and amusement are the people's spiritual needs, which also means taking a rest after work. Modern life-style is not tantamount to bourgeois life-style. The essence of the bourgeois life-style is seeking personal benefits, putting money above everything else, exploiting the workers' surplus value, and leading an extravagant life. We are not

asceticists. It is the influence of the "left" deviation and ignorance to regard the normal beautification of life as bourgeois life-style. Engels said that man has the following three demands: To live, to enjoy, and to develop. It is a normal phenomenon after having become rich "to have nutritious food, high-class clothing, and spacious housing and to travel by modern transport means which have horns." The goal of revolution is to enable the people to live much better. After the people's needs for daily necessities such as food, clothing, shelter, and transportation are gradually satisfied, their demands on varied and rich spiritual life will be placed on the order of the day. In our ideological and political work, we should not interfere in the people's daily necessities. Party committee secretaries should not stand in front of the factory gates with a pair of scissors and a ruler to measure the workers' hair and trouser legs and do things against the will of the people. We should be aware of the workers' demands for "affluence, knowledge, and enjoyment" and encourage them to work hard while on duty, enjoy themselves after duty, and try to find time to study assiduously. It is a good thing for the workers to go sightseeing, listen to light music, and dance to foster lofty values and establish friendly relations with one another after accomplishing their work and production tasks.

Ninth, they should consolidate the concept on system. A unit is in fact a system and the ideology of the workers as a whole is an open and multilevel mobile system. Therefore, we must conduct comprehensive research and gradually shift the focus of ideological and political work from making enormous publicity onto the track of enterprise production and simultaneously grasping the building of spiritual and material civilization. Instead of conducting education in a secluded manner and "fighting in isolation," we must proceed from practice and extensively mobilize and organize the masses. We must give full play to the simultaneous role of the party, administrative organs, trade unions, CYL, militia, and nongovernmental societies and associations in enterprises. Only in this way can we start the entire machine of an enterprise and gradually establish a crisscross, three-dimensional, and compound network of ideological and political work. We should rely on the vast numbers of party members, all kinds of activists, and various departments of an enterprise instead of a few people or just the political work department in conducting ideological and political work. Permeating through production within the 8 working hours and penetrating through life after the working hours, our ideological and political work should genuinely play a vanguard role. In addition, we must put an end to the passive state of treating symptoms but not the disease and mending the sheepfold after losing the sheep. In a word, our ideological and political work should proceed from the big system, advance with big strides, and adopt various forms to suit the different needs of the workers and to stimulate their initiative and creativity so that they can voluntarily and consciously struggle for the building of socialist modernization.

Tenth, they should consolidate the concept on science. There are laws that can be followed for the people's ideological changes. Ideological and political work is a branch of learning, which requires something more than brains. Ideological and political workers should have ideological and

political level as well as a competent educational level and other knowledge. They should also have the ability and interest in doing such work. They should dig into their work and study, explore, summarize, improve, and reveal its profound mystery and master its inherent law in practice. At present different schools of thought have emerged contending with each other in studying and discussing ideological and political work. In my opinion, they can be divided into the following three schools: First, the modernized school of ideological and political work or the school which integrates ideological and political work with modernization. This school transplants the means of modernized management to ideological and political work through active transformation. Second, the traditional school of ideological and political work, which tries to integrate the "classical" methods of ideological and political work with practice. Third, the school of behavioral science, which studies man's behavior and thinking from a microcosmic angle and introduces the rational content of behavioral science to ideological and political work. The three schools of thought take themselves as the dominant factor, draw strong points from the masses, and have styles of their own. The task at present is to vigorously strengthen scientific research in this field and apply the Marxist stand, viewpoint, and method, modern psychology, pedagogy, and sociology, and other new scientific achievements to study and summarize the law of ideological and behavioral changes of the workers in socialist enterprises and create our own science of ideological and political work. This is a grand project which will involve social sciences and other spheres. In order to make ideological and political work more scientific, the party committee secretaries of large enterprises should become learned personnel and the vast numbers of cadres in charge of political work should be better educated and competent. The comrades now engaged in such posts should love, study, and do well ideological and political work and regard it as their life work. They should become ideological and political workers supported by the staff members and masses and should live up to the expectations of the party and people. Thousands upon thousands of political work cadres who regard conducting ideological and political education among workers and staff members as their profession and thousands upon thousands of theoretical and practical workers who take an interest in this work will further emancipate their minds, inspire their spirit, give full play to their wisdom and talent, and, in the course of economic reform, make great efforts to create a system of workers' ideological and political education which is full of vitality and enriched with the flavor of the times.

In the final analysis, to catch up with the new situation and to consolidate new concepts mean to further eliminate the influence of the "left" deviation in ideological and political work and to adhere to the principle of persuasion. Education and external environment are necessary for a man's ideological transformation, but in the long run it is essential to rely on his own consciousness. We must believe that the broad ranks of workers and staff members are willing to accept the scientific truth of Marxism. Tempered with the struggles carried out in various fields, the vast numbers of workers, young workers in particular, are also willing to accept Marxism. On the premise of treating people equally, we must enable our work to strike root in the hearts of the people. The people in real life differ from each

other in thousands of ways. As the experience, education, and life of each person differs from that of others, the people's ideological circumstances are also different. Such differences are manifested in characters, hobbies, interest, ideas, and world outlook. Therefore, we must suit the medicine to the specific ideological illness of a person in conducting ideological and political work. The most important point is that we should be good at discovering the positive factors of the workers and should lay stress on commending them instead of nitpicking about their shortcomings. First, we must focus our attention on discovering the spark among the people and then let it expand and form into raging flames, thus enabling the people to become heroes in the course of triumphant struggles.

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EDUCATION MUST SERVE THE FOUR MODERNIZATIONS

Beijing RED FLAG in Chinese No 4, 16 Feb 85 pp 21-23

[Article by Li Youbin [2621 0645 3453]]

[Text] The 12th party congress affirmed that the crux of the four modernizations cause is modern science and technology and that education and science are the "main strategic points" of economic development. The reform and development of educational affairs have become pressing tasks of the whole party and the whole nation. We cannot deny that there are still a lot of flaws in our country's educational work and that we are still bound by certain old and traditional concepts and traditional ways of running schools. Thus, education is unable to meet the demands of the four modernizations. We must seriously study and gradually solve these problems in order to enable educational work to shift completely onto the track of serving the four modernizations.

Education Must Spontaneously Serve Economic Construction

Social material production restricts the material and spiritual lives of the human society as a whole and naturally also restricts the development of education. This kind of restriction involves two aspects: First, education can only be developed gradually within the scope permitted by the level of social material production and cannot go beyond that permitted extent; second, social material reproduction determines the reproduction of the labor force, which means determining the scale and speed of educational development and the educational structure and system. That is to say, education must, in a planned way, provide an adequate labor force of various levels and professional personnel for social reproduction in order that social reproduction can be smoothly carried out to a greater extent and at even higher standards. We only paid attention to the role of the former restriction in the past and neglected the significance and influence of the role of the latter restriction, thus affecting the wholesome development of education.

Modern school education is more closely linked with production and with the cultivation of a force of experienced personnel who can master advanced science and technology, and it has become an indispensable prerequisite for developing social production. In an era in which science and technology are

more rapidly turned into a direct force of production, economic development has come to be more and more restricted by the level of science and technology and by education. The economy and education condition each other and development of either one promotes development of the other. Thus, it is necessary to develop both of them in harmonious way. At present, economic and technological competition are, after all, competition among talented people and competition of education. Education must equip the economic construction with talented people. If a country's education fails to equip its economic construction with an adequate number of various professionals, that country will naturally lag behind in economic competition. This is a truth which has been repeatedly testified to in history. Today, in our country, education is related to the future and fate of the socialist modernization cause. Marx said: "The most advanced workers' thorough understanding of the future of their class, which is also the future of human beings, totally depends on the education of the growing generation of workers." ("Collected Works of Marx and Engels," Vol 16, p 217) Thus, our comrades who are engaged in educational work must correctly understand the objective of education, spontaneously serve economic development and social advance, run education as if it is the largest inexhaustible energy base of modernization, strive to open up human mentality, make use of human intelligence to manufacture and apply advanced production tools to our country's rich resources, and enable labor and resources superiority to turn into scientific and technological superiority and economic superiority. Only by so doing can education enjoy greater development and have greater importance attached to it in society. Running education behind closed doors and deviating from economic development and social advance will lead to a lack of vitality.

Plans for Educational Development Must Meet the Demands of Economic Construction

Comrade Deng Xiaoping's instructions on "education must face modernization, face the world, and face the future" are the fundamental guiding ideology for developing our country's socialist education. We must proceed from the overall situation of the four modernizations and from the overall situation of the new world technical revolution and must think of reform and development of our country's education.

The basis of education's "facing three things" is to face modernization. As soon as education having to face modernization is mentioned, many comrades will think of setting up new special courses in the institutes of higher learning, adding new technical courses, purchasing modern teaching tools, and so on. All these are, undoubtedly, very important. Simultaneously, we must also attach importance to secondary and primary education and preschool education, secondary vocational and technical education, and continued education for workers. Secondary and primary schools and preschool education are the basis of all education and the starting point for improving the whole nation's moral standards, cultural and scientific levels, and basic quality. Only well-run secondary and primary schools and kindergartens can produce qualified students for schools of higher levels, and schools of higher learning can cultivate various professionals for the state; when

primary and secondary education and preschool education is not well run, it will bring difficulties to teaching in the schools of higher levels and will even cause great waste. Secondary vocational and technical education was basically smashed during the 10 years of internal disorder and was only gradually restored and developed after the smashing of the "gang of four." However, it still has not been given the attention it deserves. Some comrades of these secondary vocational and technical schools have thought of emulating the ordinary secondary schools or had the intention of turning them into universities. These intentions are unrealistic. The economy is a big system and a diversified economy requires personnel of different standards and who come from different levels, and there must be a fixed proportion between engineers, technicians, and skilled workers. It is hard to achieve the four modernizations with only the presence of high-ranking professionals but with an absence of intermediate and junior technicians and the broad masses of workers and peasants who have acquired and mastered advanced scientific and technological knowledge by means of education. The number of universities in our country is still small at present, the number of students enrolling each year is also small and is not expected to increase by leaps and bounds in the near future; in addition, due to the range of mental development and different characteristics of the students, not every secondary school graduate is suited to further studies in the institutes of higher learning. The majority of secondary and primary school graduates are obliged to stay in their localities, taking up jobs as junior or intermediate technicians, skilled workers, or other jobs, and serving local economic development and social advance. All this justifies further reform of our country's educational structure and system. Ordinary secondary schools and secondary vocational and technical schools should enjoy parallel development and there should be a greater development in secondary vocational and technical education in the next few years. This will be a significant sign of whether or not our country's educational affairs can cope with the building of the four modernizations. Simultaneously, we must also publicize in ideological education that it is equally glorious to become engineers, scientific research personnel, technicians, and skilled workers who are needed by the motherland's four modernizations cause. It is necessary to guide the graduates of junior secondary schools to make their own choices in accordance with the actual situation and to enroll for ordinary senior secondary schools, secondary specialized schools, technical schools, and other vocational and technical schools. At the same time, we must pay attention to on-the-job training of workers of all walks of life and treat it as a basic component of our country's educational affairs. We must also gradually perfect the state's self-study examination system and encourage the workers, peasants, cadres, and youngsters in society to study hard and become useful people.

In order to cope with the development of our country's socialist modernization cause, we must emancipate our minds, break through the conventional pattern of running schools, exploit the potential of the existing schools, make full use of modern teaching tools, give play to the initiative of various localities and departments in running schools, raise educational funds through various channels, adopt various forms and run multilevel and multistandard schools, and proceed on the path of education run by the whole

people. When we advocate education run by the whole people, we must always be alert to placing the quality of education in the primary position. However, since our state is a large one and the situation is complicated, there is a large range of cultural foundations in various localities. Regarding schools of the same level, there must be centralized quality and standards but differences must also be recognized. There are bound to be differences in the cultural foundation, degree of diligence, and natural endowments of students in the same class or in the same school. There is always a small number of "brilliant" students. We must allow various schools to progress together at their own speed. All the various forms of running education should be encouraged and supported so long as they are able to promote the whole nation's scientific and cultural level and cultivate useful personnel for the building of the four modernizations at a fast speed. The quality of education is to be gradually improved in the course of running education.

Attach Importance to the Cultivation of the Abilities of Students, Cultivate a Generation of New People To Construct Socialist Modernization and Meet the Challenges of the New Technical Revolution

School education is, through the giving of lessons in the classroom, experiments, production practice carried out in connection with teaching, graduation designs, and other links in teaching and various extracurricular activities, to import knowledge of the basic theories and fundamental professional theories to the students, to train the students' self-study abilities and ability to work independently, and to open up their creativity and cultivate their integrity in order to enable them to achieve a healthy development in morality, intelligence, physical education, virtue and labor techniques. The end of education is to equip them with the ability to solve various theoretical and practical problems in the course of building the four modernizations in their future jobs.

Systematic basic theoretical knowledge and basic abilities are two inseparable things and must be linked. Ability is based on knowledge, and only with knowledge can we incessantly advance and create; knowledge is conditioned by ability, only with ability can we give full play to the role of knowledge. Therefore, we must attach importance to imparting knowledge to students in education as well as to cultivating the students' abilities, neither should be neglected and any one-sidedness will be harmful to the healthy development of the students. At present, we must also attach importance to cultivating the students' abilities. Modern science and technology is changing with each passing day and professional knowledge is incessantly renewed and there are more and more things to be studied. If no importance is attached to cultivation of the students' self-study abilities in actual education, and when the primary stage, in which the students only understand what the teacher has taught them, is continued, it will be difficult for them to independently obtain knowledge in work and it will be even harder for them to do creative work. In order to cultivate the students' abilities, on the one hand, we must organize well various aspects of teaching, the teachers should not only impart knowledge to the students, the most important thing being to impart methods and to guide the students to learn how to study in the course of teaching and to improve their abilities in making

analyses and solving problems; on the other hand, it is necessary to guide them, in accordance with the age and characteristics of the students, to study conditions and interests, to organize some extracurricular scientific experiments and academic activities, to undertake certain social work, to organize them to take part in work-study programs or to take part in certain advisory and service activities or to conduct social surveys, so that they will have more opportunities to display their abilities. These are important components of the cultivation of the students' basic abilities. When a student enters society from school, he is bound to come into contact with people of various aspects of society. One must possess certain social abilities when one does organization and management work. In particular, under the conditions of opening up to foreigners, there are increasing dealings with foreigners. Students will have to work under more complicated situations after graduation than before; they must have a firm stand and lofty integrity to spontaneously resist the passive influence of corrupt bourgeois ideology; they must also be able to actively study and impart all useful knowledge, technology, information, and management experience. The cultivation of these abilities should start in school. Many schools have recently launched such work and have obtained very good results, which were generally welcomed by the students.

In order to cultivate students' abilities, teaching methods must also change from the imbuing to the inspiring method. As far as examination of students' results is concerned, it is necessary to change from solely examining the students' memory and imitative ability to examining their abilities in applying theoretical knowledge in solving practical problems, which means analytical ability and ability to start work. One-sided pursuit of promotion rates will make both teachers and students focus on marks and will definitely create the adverse result of there being some students who obtain high marks but who have low abilities. This is a prominent question in the theory and practice of education in our country at present, and it is necessary to gradually solve this problem.

The ultimate deciding factor in promoting the quality of education and cultivating talents is the quality of teachers. Cultivation of qualified teachers who can both teach and cultivate talents is the crux of running better education and cultivating talents for the four modernizations. We must regard developing teachers' training at various levels as a main point in our country's educational affairs. What we mean by teaching and cultivating talents is that teachers are required to impart knowledge in accordance with the materials provided and to be concerned with the overall development of the students' morality, intelligence, physical education, virtue, and technical skills. Teachers should not only simply impart the limited knowledge in the textbooks which they studied when they were in school to the students, but must also incessantly acquire new knowledge and be concerned with new developments in science and technology, both within the country and abroad. They must understand the needs of society, impart new knowledge, new technology, and new information to the students, and inspire the students to seek new knowledge, new technology, and new information and become a generation of new people dedicated to the socialist modernization cause of our country, and to greet the challenge of the new world technological revolution.

THE GENESIS AND SIGNIFICANCE OF SYSTEMS THEORY

Beijing RED FLAG in Chinese No 4, 16 Feb 85 pp 24-28, 31

[Article by Wei Hongsen [7614 1347 2772]]

[Text] I. Bertalanffy's Systems Theory

Systems theory is a horizontal discipline which began to take shape around the time of World War II. Its initial founder was the Austrian biologist L. von Bertalanffy. Initially, it was called the general theory of systems. Later, with the emergence of a number of new disciplines during the postwar era, and in particular, with the emergence of those disciplines which study the laws of systematic movements in various fields, Bertalanffy began to try to develop his theory and methodology into a systems theory which could incorporate the theories and methodologies of cybernetics, information theory, set theory, systems mathematics, game theory, and so on.

Since the 1970's, systems theory as a topic for discussion has become the focus of attention in some international arenas of academic discussion. Special institutions for conducting research in systems theory have been established in many countries, and an upsurge in studying "systems" has emerged. The birth and popularization of systems theory have played a positive role in the development of modern science and technology and have helped reduce the spread of metaphysical ideologies in academic circles. Some believe that systems theory is a new theory which, following the theory of relativity and the theory of quantum mechanics, has once again "changed the prospect of world science and the method of thinking of scientists of the contemporary era."

The birth of systems theory was surely not accidental, for it has deep-rooted ideological origins and has modern science and technology as its foundation. The birth and development of systems theory cannot be divorced from man's dialectical acquisition of knowledge of the objective world, and they represent an inevitable product of the development of man's theoretical thinking. The direct cause of the birth of systems theory is related to the criticism launched early this century against mechanism and vitalism in biology. The direct ideological origin of systems theory is the theory of organic entities.

Contention between mechanism and vitalism has always existed in the history of biology. Mechanism, appearing as the reduction theory and mechanical determinism, holds that every life process can be reduced to some physical and chemical processes, and that the physiological and mental processes of living organisms can be explained in this context. It holds that a single cause can lead to only a single consequence, and vice versa. On the other hand, vitalism holds that in living organisms there is a special supra-material "vital force" which dominates the entire life process. Early in the 20th century there appeared the theory of neovitalism, represented by the German biologist Driesch. He conducted experiments on sea urchin embryos and demonstrated that a normal sea urchin can come from a complete sea urchin embryo, or from a half-embryo, or from the combination of two embryos. In the light of these experiments which showed that different causes may lead to the same consequence, he held that this law of different causes leading to the same consequence conflicts with laws in physics, that the result of his experiments can only be explained in terms of a vital force element similar to a soul, and that it is precisely the domination of this vital force that causes a living organism to take the form of an organic entity according to some predetermined goals. These experiments dealt mechanism a heavy blow, placing it in a predicament. However, some biologists and philosophers disagreed with Driesch's neovitalist viewpoints; they held that the relevant facts could be explained only by viewing life as an organic entity and that vitalism and mechanism should be replaced by the theory of organic entity. The British philosopher and mathematical logician Whitehead pointed out the shortcomings of mechanism; he held that biology should be based on the concept of the complete organic entity and that nature should be viewed as a process embodying continuous activity and evolution. At the same time, many other people put forth many good ideas. Bertalanffy's idea of a systems theory came into existence precisely under these circumstances. From 1924 to 1928, he published a number of articles to express the idea of a systems theory, to put forth the organic viewpoint of biology, and to emphasize examining an organism as an entity or a system. Later, he published "Theoretical Biology" and "Modern Development Theory," in which he proposed using mathematics and models in studying the methodology of biology and studying ideas of a theory of organic-entity systems, and in which he proposed replacing mechanistic models with models in the organic-entity theory. Thus, the rudiments of systems theory appeared. However, his ideas were rejected by the authoritative biologists of that time, who denounced him as a "fool." It was only after the war that academic circles began to attach importance to his systems theory because of the need for developing science and technology and modern management and, in particular, because of the birth and successful application of systems engineering. In 1968, he compiled the fruits of his research over several decades into a book, publishing it under the name "General Systems Theory--Foundation, Development, Application." Among currently available books on the subject, this is a relatively comprehensive "classic" expressing his systems theory ideas. Actually, however, this book has not successfully established a system. This shows that this discipline is still developing.

II. Basic Ideas in General Systems Theory

The basic starting point of Bertalanffy's general systems theory is that in examining living things, one should treat them as organic entities, so that models, principles, and methods for resolving the problem of the interrelationship between the part and the whole can be discovered. In his view, the essential characteristic of life is metabolism, and the crucial characteristics that distinguish life processes from nonlife processes are organization and organic wholeness. The basic shortcoming of traditional biology is that it does not discern the characteristics of organization and organic wholeness, so that it can neither realize the existence of coordination between various parts of an organism and between various processes related to an organism, nor can it understand the living-organism entity as a complicated system. In Bertalanffy's view, there are three basically erroneous viewpoints in traditional biology, which has been too deeply influenced by mechanism. The first is the viewpoint of simple addition, according to which an organism can be broken down into various elements, and the properties of the organism are explained by the method of simple addition. The second is the "mechanistic" viewpoint, which simplistically likens life phenomena to a machine, which holds that "an animal is like a machine" and "man is like a machine," and which tries to explain life movements by using simplistic laws of mechanical movement. The third is the viewpoint of passive reaction, which holds that an organism will make a response only when stimulated, and will otherwise remain inactive. These viewpoints have greatly restricted people's thinking and hindered the development of biology. Bertalanffy holds that the primary task of biology should be the discovery of laws governing the biological system as well as the establishment of an organismic theory or systems theory concerning living things, which can serve as a basic theory of modern biology; in this way, the world outlook in the realm of biology can be basically altered. Thus, he puts forth the general systems theory, the basic viewpoints of which are as follows:

1. The viewpoint of systems. He holds that every organism is an entity or system, that every living organism is a natural entity which is subject to spatial and temporal limitations and which has a complicated structure. A part severed from a living organism differs totally from the same part functioning within the entity. Various parts of a living organism cannot exist if they are separated from the entity. For example, the eyes in the human body function quite differently from eyes detached from the human body. The functions of an entity do not amount to a simple summation of its various parts. For example, the human body is not a simple summation of the limbs and internal organs, but is an organic combination. Bertalanffy says: "Complicated phenomena surpass a simple summation of some isolated properties linked by causality." He holds that a system is a "complex entity comprising various interacting factors." The nature of a system depends on the specific internal relations of the complex entity. In determining the nature of a system, we must not only know its component parts (or factors), but we must also know their interrelationships. The nature of a system cannot be explained in terms of the properties of its isolated parts. Bertalanffy further introduces mathematics into biology, using a system of differential

equations to quantitatively describe the concept of a system, so that a system can be defined on a quantitative basis; thus, the behavior of the system can be deduced from the behavior of the component parts, the characteristics of the system can be deduced from the relations governing the component parts, and the effect exerted on the system by certain changes in some factors of the system can be accurately indicated. Thus, proceeding from the concept of systems, one can find out a set of appropriate axiomatic propositions, and hence deduce the principles for the system. Bertalanffy was the first to turn systems into a scientific concept which can be quantitatively described in precise mathematical language.

2. Open system. Bertalanffy holds that all life phenomena are themselves in a state of positive activity, and that the basic characteristic of living things is organization. The ability of an organism to remain in a state of organized activity and to keep up animated life movements is due to continuous material and energy exchanges between the system and the environment. He calls such a system, which can carry out exchanges of material things and energy with the environment, an open system. For example, animals and plants must take in food and nutrients from the outside world, and must continuously pass out waste substances or gases; they represent examples of open systems. He further says that a life system is essentially an open system which can maintain its own state of order and organization. He proposes explaining the essence of life in the light of the interactions between the living organism and the environment. It has been demonstrated by facts that even a simple open system can maintain its own dynamic stability under certain conditions. It is precisely this characteristic which enables an organism to resist the disintegrating infringement of the external environment. Living organisms also exhibit a regulatory characteristic, in that the attainment of a state of stability by an open system can be independent of the initial conditions; therefore, the fulfillment of the law of different causes leading to the same consequence can be manifested in open systems. In this way, Bertalanffy explains Driesch's experiments on sea urchin embryos, furnishing a forceful answer to the challenge of the neovitalists. This theory of open systems can be extensively applied to the basic characteristics of life, like metabolism, growth, development, self-regulation, response to stimuli, natural activities, and so on, and its application is being widely extended to various realms such as ecology and sociology.

3. The viewpoint of hierarchy. According to the hierarchical viewpoint, which is the same as the idea of levels, all categories of organisms are organized according to a strict hierarchy. The system of living organisms consists of clearly defined levels or a strict hierarchy, developing into an increasingly larger system with increasingly higher levels. It is like a tall building in which various stories are organized into successive levels. For example, the world of living organisms is a multilevel system comprising the following levels: the biosphere, ecological communities, colonies, individuals, systems, organs, tissues, cells, cell contents, and large biomolecules. Factors at various levels, such as organs, tissues, cells, and so on, have different functions. The biological world includes over a million kinds of animals and plants, which can be divided according

to relations of kinship into various levels, like species, genera, families, orders, classes, phyla, and so on. Although various things belonging to the same level differ in form, they have similar structures and functions. For example, the spider, the prawn, the migratory locust, and the housefly differ in form, but they have some similar structures and functions; their bodies are divided into segments which are integrated to various extents, they have appendages and compound eyes, and they belong to the same level: the phylum of anthropods. The body segments, appendages, and compound eyes have similar functions whether they are on the body of a spider, prawn, locust, or fly. Thus, a system is a unity of structures and functions. Structures at the same levels have functions pertaining to the same level, and vice versa. The existence of different levels or of a hierarchy precisely reflects the unity of structural levels and functional levels.

The three points mentioned above represent the basic principles of Bertalanffy's general systems theory. There are also some other principles, such as the principles of order, analogy in type, centralization, and so on. They will not be discussed here because they are relatively closely related to certain specific natural sciences.

III. The Development of Systems Theory

Bertalanffy's systems theory is a general systems theory, which has been established by proceeding from a study of life movements and by summing up man's conception of systems from the viewpoint of theoretical biology. It has linked order and goals on one side to the structural stability of systems on the other. Actually, however, it does not answer the question of concrete mechanisms bringing about this kind of stability, and does not scientifically explain order and goals.

Prigogine, a Belgian physicist, studied chemophysical phenomena in nonlife movement. Proceeding from the second law of thermodynamics, he put forth the thermodynamics of the state of disequilibrium in open systems. He discovered that "disequilibrium can be a source of order, and irreversible processes may lead to a new state of matter known as the dissipative structure." He uses the term dissipative structure for a structure of matter which is far from the state of equilibrium and which is stable and ordered. He holds that this is the ordered and stable structure which Bertalanffy wanted to discover. He has thus answered the question of how an open system can make the transition from a state of disorder to a state of order, furnishing a rigorous theoretical basis for explaining the stability of the ordered structure described in the general systems theory.

Following this, the West German physicist Haken put forth the science of synergetics, proceeding from the viewpoints of modern physics. By studying transitions from the microscopic world to the macroscopic world, he resolves the questions raised in the general systems theory and in the study of dissipative structures, and further resolves the question of how a complex system can change over from disorder to order and the question of why goals exist. Moreover, he extends his theory from a study of open systems and nonequilibrium states to the study of closed systems and

thermal-equilibrium states, so that systems theory becomes widely applicable to nonliving systems and living systems; now the application of systems theory is being extended to economic and social systems. At present, many new theories concerning systems are continually emerging in the study of both life phenomena and nonlife phenomena.

In the Soviet Union, (Wuyemov) [3527 0048 5459 1133], proceeding from a different viewpoint, put forth a parametric theory of general systems. The application of this theory makes it possible to link together parameters concerning a system with the help of computers, so that all the laws governing a system can be ascertained. This theory of systems has also attracted much attention.

Since 1978, with the application of systems engineering, academic circles in our country have started to pay attention to studying systems theory. The works of Qian Xuesen have produced the greatest impact. (See Qian Xuesen and others: "On Systems Engineering," Hunan Science and Technology Publishing House, 1982 edition) At the inauguration meeting of the Systems Engineering Society, convened in December 1980, he described in detail the development of systems theory and the situation of various schools; he not only stressed the need for refining systems theory by studying various branches of systems engineering related to engineering technology and by studying the technological sciences of operational research, cybernetics, and information theory, but he also proposed assimilating the theories of systems put forth by various schools mentioned above, so as to establish a comprehensive system of the science of systems. Qian Xuesen holds that the modern system of natural sciences consists of three parts: basic sciences, technological sciences, and engineering technology. Corresponding to the natural sciences, the science of systems also comprises three different levels, namely, the theory of systems, the science of systems technology, and systems engineering. Systems engineering, which corresponds to engineering technology, includes military systems engineering, engineering systems engineering, economic systems engineering, agricultural systems engineering, educational systems engineering, scientific research systems engineering, systems engineering for rule of the law and for legal systems, and so on. Differing from general engineering technology, systems engineering is a forum of engineering technology which treats the objects of study as systems, which is a scientific method of general significance governing the organization and management of the planning, study, design, building, testing, and use of various categories of systems, which is for organizing and managing complicated systems characterized by many factors and many dynamic phases, and which people often call soft engineering or soft technology, in contrast to the term hard engineering or hard technology usually used to describe engineering technology. The science of systems technology, which corresponds to the technological sciences, comprises those scientific and technological theories, like operational research, cybernetics, information theory, theory of huge systems, and so on, which are needed in the use of systems engineering for solving practical problems. The theory of systems, which corresponds to the basic sciences, is a basic theoretical science which, proceeding from the viewpoint of systems, uses a precise mathematical language to depict the basic concepts, tenets, and principles

of general systems and to describe the laws governing the movement of general systems. It will integrate in a new way existing theories of systems, thus occupying the highest level in the system of the science of systems; it will guide the study and application of systems engineering and the science of systems technology; and on its own basis, it will undertake abstraction at even higher levels, thus transforming existing theories of systems and leading to the establishment of a new systems theory incorporating modern scientific concepts like information and control. Thus, in the place of the "three disciplines" of cybernetics, information theory, and systems theory, there will merely be a systems theory. This systems theory will differ greatly from Bertalanffy's systems theory and will serve as a bridge linking the science of systems to Marxist philosophy. This blueprint of the development of systems theory and the science of systems, as depicted by Qian Xuesen, has received much attention from academic circles at home and abroad. Many scholars in our country have been studying systems theory from different angles and have put forth some highly inspiring views.

IV. The Significance of Systems Theory

The birth of systems theory is of positive significance to enriching and developing Marxist philosophy, and to improving our method of leadership and method of work and for making them compatible with the need for socialist modernization, and so on. Since the founding of systems theory, its relationship with Marxist philosophy has received much attention. True, the birth of systems theory has helped create many new tasks for Marxist philosophy to study; however, this does not show that the latter will be replaced by the former. The materialist dialectical philosophy and the natural sciences with their scientific methodologies are two things which should promote each other; neither can replace the other; and the relationship between them is that one is something general and the other is something specific. Actually, the birth of systems theory does not indicate a break of the natural sciences and their methodologies from the constraints imposed by Marxist philosophy; quite the contrary, it has furnished new evidence of the correctness of Marxist philosophy and has greatly promoted the augmentation and development of Marxist philosophy. If it can be said that the three great discoveries in science in the 19th century (namely, the law of conservation of energy, the theory of the cell, and Darwin's theory of evolution) constitute a basis in the domain of the natural sciences on which Marxist materialist dialectics is established, then it can be said without the slightest exaggeration that a century later, the basis in the domain of modern natural sciences on which materialist dialectics will have been further enriched and developed will be the birth and application of systems theory, information theory, and cybernetics, which will parallel the theory of relativity and quantum mechanics in importance.

Systems theory studies the objective world from the viewpoint of systems and in various aspects it reveals new essential relationships and laws of movement that govern the material objective world. It is compatible with the need for modern scientific and technological research to be upgraded

from the level of individual things to the level of complicated systems. It furnishes effective methods for solving problems related to complicated systems and introduces the method of quantitative analysis into some disciplines which up to now have been undertaking only qualitative examination, so that new leaps have occurred in the method of scientific research. Systems theory breaks through the limitations of traditional methods of analysis and discards the habit of using simplistic methods to solve problems related to complicated systems. It realistically examines objects of study as organic entities and reveals the characteristics of systems and laws of movement governing systems in the light of the relations of interdependence and mutual limitation between the part and the whole. According to systems theory, various things and processes in the world are not isolated from one another, accidentally forming a disorderly patchwork; instead, they constitute organic entities which consist of various factors and which function according to certain laws. The essential properties of these entities and the laws governing them exist only in the context of the interrelationships and mutual interactions between various factors. Moreover, the separate characteristics of various constituent parts and the mechanical summation of the activities of these parts cannot reflect the characteristics, and modes of activity, of the entities. These basic viewpoints of systems theory reveal that the objective world is governed by laws of systems, and hence furnish new arguments in favor of those laws and categories in Marxist philosophy concerning the materialistic unity of the world, the existence of general relations and mutually limiting constraints in the world, causes and effects, the part and the whole, and so on. Systems theory once again demonstrates the dialectical nature of the objective world.

Systems represent a summing up of man's knowledge of the existence of systems and wholeness in the objective world. They also constitute a basis for the acquisition of more knowledge about the essence of things and help people discover new laws of material movements. Material dialectics holds that the world is a material world, with matter moving over space and time according to certain laws. This is often called the materialist viewpoint, the viewpoint of motion, or the spatio-temporal viewpoint. A basic viewpoint of systems theory is that the entire world of nature is an organic entity existing in the form of systems, that every object in nature is a system which consists of various factors organized into a specific structure and which correspondingly has certain functions, and that the entire world of nature is an open system which consists of different levels organized into a hierarchical structure and which is in a state of ceaseless motion. In man's observation of the world, the use of this basic viewpoint can more concretely help explain the essential relations of the material world and can help explain the systematic nature of the world as one of the world's characteristics. This viewpoint of systems can be incorporated into the system of Marxist philosophy, becoming an important viewpoint on the dialectical-materialist world outlook and theory of knowledge.

In practical use, systems theory also furnishes a new trend of thinking that can make the method of leadership and method of work more scientific. With the development of socialized large-scale production and the increasing

complexity of social activities, factors are now numerous, changes in factors are frequent, and the effects exerted by factors are increasingly more powerful. Whether the leaders' method of work is correct or not has important consequences; very often, the consequences affect not just an individual locality or sector, but the overall situation, and the effects are not short-lived, but are long-lasting. Therefore, there is an urgent need for leaders to upgrade the level of policy-making from reliance on experience to the new level of scientific policy-making. Thus, in addition to mastering the general tenets of Marxist philosophy, leaders are also required to continuously upgrade their scientific knowledge, to master the theories and methods of modern scientific policy-making, to work according to the procedures of scientific policy-making, to be good at using the services of specialists and advisory agencies, and to make experience related to policy-making more systematic, scientific, and theoretically oriented in the course of practice. Policy-making means that under some given conditions, one chooses from among a number of schemes formulated in preparation for action, so as to attain the optimum goal. Systems theory treats policy-making as a dynamic process. It helps people to formulate each step of the policy-making process as a factor through abstraction, to organize the factors according to a definite order, and thus to form an organic entity--a policy-making system. The process includes the following: 1) Discovering problems that must be promptly solved in the light of available information; 2) setting the goals that must be attained or which efforts must be made to attain; 3) summing them up in terms of systems, and formulating a number of different schemes; 4) analyzing the schemes as systems, and making analytical appraisals; 5) selecting a scheme, and formulating a policy; 6) using computers for testing by the method of functional simulation, discovering problems, and obtaining feedback at various steps for inspection and amendment; 7) formulating a plan for implementation, implementing the plan and simultaneously strengthening control, ensuring that information flows unimpeded along the feedback-return path, and adopting contingency measures or starting a fresh round of tracking down work and policy-making in the case of any accidents. Thus, grave mistakes in policy-making can be avoided.

Very often, under the condition of highly developed modern science and technology and social productive forces, what leaders face are problems of dynamic and complicated large systems involving many factors. A question which must be promptly resolved at present is how to solve these problems in an optimal way with the quantitative aspect taken care of, and how to upgrade the ability to exercise command to a modern level. The majority of economic management and research methods used in the past are suitable for handling static, simple systems involving a single factor, and difficulties would arise in the handling of problems related to dynamic, complicated systems involving many factors; such problems were sometimes mechanically and brutally treated like static problems involving a single factor, resulting in a serious departure from the reality. Systems theory furnished new methods for solving these kinds of complicated problems. For example, the entire national economy is a dynamic and complicated open system involving many factors. There are many national economic sectors, each of which is a small system within the large system of the national

economy. Complicated interrelationships exist between various sectors. Consider the example of the five major sectors: iron and steel, coal, electric power, oil, and transportation. Extremely complicated economic and technological relationships exist between them in the production and distribution of products. Between them there are continuous exchanges of materials, energy, and information. Between them there exist some definite quantitative relations and proportional relations. Changes in any one of these sectors will affect the other sectors, or even the overall system of the national economy, because they are parts of the entire system. The methods provided by the science of systems theory must be employed if the relationships between various sectors are to be well coordinated and relatively realistic plans are to be formulated so that the entire national economy can develop smoothly. To sum up, if our level of leadership is to be compatible with the need for our modernization construction, we must be good at using the tenets of Marxist philosophy and must also learn the basic knowledge in the realm of natural sciences and scientific methods. Only thus can the method of leadership be made more scientific. This is also an important reason why we must understand systems theory.

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PHILOSOPHY AND REFORM

Beijing RED FLAG in Chinese No 4, 16 Feb 85 pp 29-31

[Article by Ma Zhongyang [7456 0112 2254]]

[Text] The relationship between philosophy and reform is a practical problem that merits our discussion and study. Like the relationship between economics and reform, it will merit people's common attention.

Philosophy is not mysterious reverie, but is a tool for people to recognize the world, a summary of the universal laws of nature, society, and thought, and a concentrated expression of the spirit of the times. All philosophies reflect the pulse of the times. There is no such thing as philosophy transcending the times.

The reform of the economic structure we are now carrying out, which focuses on the reform in the cities, is aimed at changing the rigid structure which cannot suit or even obstructs the development of the productive forces and creating an unprecedented economic structure that is full of vigor and vitality and is conducive to the vigorous development of socialism. This is a great event in the material and cultural life of 1 billion people. It has greatly encouraged the people throughout the country, and has won popular attention, and has caused repercussions in the world. It is a condensation of the spirit of our times and naturally needs to be summed up by philosophy.

A reform is not merely a matter of explaining the world, but also a matter of transforming the world. The latter is more important and is a very arduous task. It is a complicated and profound revolution which will naturally touch and smash all kinds of old frames and conventions that have been in existence for a long time, as well as the styles of work, life, and thought the people are used to. However, no matter what is reformed and how it is reformed, the methods used in the past such as the mass movement making a terrific din and "taking class struggle as the key link" shall not be adopted. The purpose of the reform is to realize the four modernizations, to realize the general target of "quadrupling the total output values" by the end of this century, and to make our socialist motherland strong and prosperous and our people rich. Therefore, all those who want to contribute their share to the reform, including our compatriots in Hong Kong, Macao, and Taiwan, Overseas Chinese, and foreign friends, will be welcomed and respected by the

people of all nationalities in our country. They will certainly be able to display their abilities and talents in the reform and make due contributions. This glorious task has attracted thousands upon thousands of people with lofty ideals. In the new situation, new people and new things are naturally emerging and new achievements are being made one after another. Of course, there are also new experiences to sum up and new problems to solve. In such a situation, how can philosophy workers remain indifferent? We must study all kinds of problems and throw ourselves into the reform in various ways to display our specialties. We must be students first and then be teachers, or be both students and teachers in the reform so that we can play an appropriate role on this broad stage and so that we can give satisfactory explanations and convincing arguments to the problems emerging in the reform and write good articles based on facts and analysis. All this requires the efforts of a large number of theoretical workers.

Our reform is being carried out in a vast sphere. It does not require uniformity in progress. All cities, trades, departments, and units must proceed from their realities; that is, proceed from their conditions, characteristics, and advantages, and carry out the reform under the leadership of their leaders so that they can give full play to their "superiorities." If one makes an on-the-spot investigation, one will find that the reform is just like a grand fair which one has never seen before. His field of vision will be widened and his thoughts be enriched from new sources. All this cannot be obtained by any philosophy worker who only sits in his room reading books. It is better to see once than to hear a hundred times, and better to do than watch. Theory is originally a summation of practice. The internal relations between all things, that is, the laws governing them, are not superficial things which can easily be seen. We must make great efforts to observe them and discover them and to sum up all these relations through research. All scientific theories are results of such abstraction. The reason Marxist theories are full of vitality is that they are not rigid doctrines without development. Instead, they are uninterruptedly enriched and developed in practice. Therefore, how can we deepen our understanding of theories and establish and develop theories without practice? There exist some books and articles which have been pieced together or quoted from other books and articles. However, these books and articles are usually empty doctrines deviating from practice, and are therefore unconvincing. I do not intend to look down upon those researchers who have been working hard in reading books, because without conscientious reading and study, one cannot even be a theoretical worker nor a pioneer with courage and insight.

The dynamic and thriving situation is now developing in a broader sphere. A large number of vivid facts are encouraging more and more people to throw themselves into the reform and stride forward. However, we must remain rational and calm in our victorious advance and must see the other side of the reform, that is, the twists and turns, the possible difficulties, and the obstacles and obstructions in our reform--they have not vanished or withdrawn on the road of our advance. The road of the reform is never smooth. This is a law governing the development of objective things. Can a pioneer who dares to carry out the reform and create new things be scared by all this?

Both difficulties and the methods to overcome them are existing at the same time. People often say that philosophy enlightens people and practice makes people wise. Under pressure, achievements can usually be made, but if one is lazy, one will never succeed. The methods can be found only through our own efforts.

In doing anything, it is always easier to think and to talk than to practice. If one wants to find the methods, one will have to get oneself moving and try to find a "Zhuge Liang." It is more difficult for him to find the correct methods.

Do you want to blaze a new trail and open up a new prospect? If so, you must proceed from concrete realities and make careful and repeated investigations and studies of the concrete objects in accordance with the principle of seeking truth from facts so as to gain a clear understanding of the real situation. In other words, in order to better transform the world, it is first necessary to correctly recognize the world. When we apply the theory of knowledge of dialectical materialism in this field and at this very moment, we can feel the vitality of theory and the growth of our wisdom.

While carrying out concrete investigations of people or things, either they are familiar to you or not, simple or complicated, unsolved problems left over from the past or problems that have emerged in the new situation. Provided we take a correct attitude toward them and keep seeking knowledge despite twists and turns, we will certainly learn something and learn the differences and similarities. We will know their general character and specific characters and find the keys to the problems and the methods to solve them. Of course, when everything is going smoothly, we will feel satisfied. However, there will surely be some occasions when things are not going smoothly or when we meet some very difficult problems. On such occasions we must not retreat due to the difficulties we have met. We must make up our minds to make everything clear and get them into shape. In other words, we must discover the internal relations of things and the law governing the movement of objective things. We must make a concrete analysis of concrete problems. Practicing metaphysics can save labor, but can never solve any problems. Material dialectics alone is a true weapon for us. We must arm ourselves with it. Only thus can we straighten out our ideas, master correct methods, and enhance our ability. This applies to all situations. The unity of world outlook and methodology is something concrete rather than something beyond people's understanding.

We must not proceed from reality rather than concepts in dealing with things. For example, the core of the reform of the economic structure is to enhance the vitality of enterprises, especially large and medium-sized key enterprises. However, it requires our great efforts and primarily our courage to remove all kinds of fetters and obstacles. When we meet obstacles and fetters, we must discuss them with directors of large and medium-sized factories and staff and workers of the enterprises. They will give us many vivid and concrete examples and effective methods to help us get rid of these fetters and obstacles. Life can be resuscitated and vitality enhanced there. They can also be found there. When we throw ourselves into the

internal activities of enterprises and go deep among the masses, we will find the latent vitality there and will be able to truly understand the development of social productive forces. We will know whether the talented people are appropriately used and how to use these priceless treasures. We must never place ourselves in a position of an onlooker. Still less must we place ourselves in a position of an outsider. Both we and the staff and workers are masters of the enterprises. When we share a feeling with the staff and workers, we will find ourselves not so "disagreeable" with them and will find it easier to make speeches and write articles.

Marxist philosophy is a sharp weapon to reform the world, and is full of vigor and vitality. Whenever we meet difficulties, it helps us get rid of the difficult situation and continue to advance, just like a lighthouse of wisdom. In the reform, we need this ideological weapon to help us open up new prospects. On the other hand, Marxist philosophy cannot be developed and enriched without concrete and vivid practice. It should not become a theory to be prated about and pigeonholed. Philosophy needs to be nourished with the vitality of the reform so that it can be further enriched and developed. Both the development of philosophy and the needs of the reform are calling on the philosophy workers to shoulder this glorious task of our times.

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GIVING PLAY TO THE BACKBONE ROLE OF LARGE ENTERPRISES

Beijing RED FLAG in Chinese No 4, 16 Feb 85 pp 32-33

[Article by Huang Zhengxia [7806 2973 1115], first secretary of the CPC Committee of the No 2 automobile manufacturing plant]

[Text] The pace of development of the world technological revolution has been much faster than expected. All countries are facing the arduous challenge of how to handle the technological gaps among them and how to apply the latest world technological achievements to renovate and develop their own countries' fundamental industries. The decisive factor for the prosperity or decline of each trade or enterprise is whether or not it can grasp this new opportunity to speed up development of the productive forces, whether or not it is able to make good use of the new world technological achievements, and whether or not it can formulate far-sighted economic development strategies in accordance with the trend of economic and technological development and by working in line with its actual situation. How should we, as the largest automobile base in the country at present, handle this? In my opinion, we must first give full play to the superiority of our plant's automobile industry force, which has been developed despite hardships over the past 10 years or so, and enable it to make greater contributions. Second, we must promptly carry out preparations and strive for greater developments on a higher plane. We must not only reduce the gap between us and the developed countries in terms of quality. In view of this, we must give full play to the backbone role of the large enterprises.

First, the large enterprises should become the mainstay to push forward the reform of the state's economic structure, the socialization of production, and the consolidation of enterprises. From 1981 onwards, the No 2 automobile plant, under the guidance of the principle of "giving play to superiorities, protecting competition, and stressing consolidation," has focused on our own plant and on the Dong Feng products, adhered to the principle of voluntary participation, and implemented consolidation on many levels, including loose, semiloose and tight consolidation, and gradually achieved great professional coordination which involved over 100 enterprises from 20 provinces and districts all over the country. This consolidation has taken into consideration the interests of the state, the localities, the enterprises, and the joint companies. It has persisted in reforming the

production style of being "small and comprehensive" and turning it into a "small giant" which is "small and specialized" and "small and at a high level." It has already developed from integration for the mere purpose of maintaining production to comprehensive integration of integrated design, manufacturing, test, sales, and after-sales service, and has started to change into a "joint business exploitation form" of technical and economic integration. A new kind of integration which has a higher starting point, a greater turnover, and a larger scope has recently been brewed, and it has gained the support and coordination of the relevant state departments and various provinces and municipalities concerned. Such integration among enterprises, which is based on the large enterprises and which gives play to the central roles of the municipalities, has broken through the regions and departments and has also speeded up a division of work between the government and the enterprises. It has done a good job in focusing on the large enterprises and simultaneously allowing a number of enterprises to carry out technological and economic coordination in the areas where there is a division of work in the course of production, supply of raw materials, and development of horizontal coordination. Thus, production and marketing are directly linked, the development of supply and demand is balanced, and the law of value is better applied in fulfilling the state plans. Reality has shown that such socialist integration is an important way to vitalize the large enterprises, push forward and renovate the medium and small enterprises, and speed up the development of the national economy.

Second, the large enterprises, on the basis of improving the standards of modern management, should be bold in smashing all obstacles and promoting the reform of the management system. Over the last few years, the No 2 automobile plant, under the premise of improving the standards of modern management and adhering to the principle of "centering on our advantages, adopting others' merits, carrying out tests and assessment, and bringing about new developments," has worked in connection with the plant's actual situation, studied and modeled itself on both advanced foreign and internal management experiences, vigorously pushed forward overall quality management, and played an important part in improving the quality of products and strengthening their competitiveness on the market. We have applied more than 20 kinds of modern management methods, including target management, value engineering and value analysis, network technology, pre-examination and repair of equipment, display panel [kan ban 4170 2647] transportation and ABC classification and so on. In addition, computers have been used in supplementary design of products, financial accounting, planned management, personnel statistics, and other areas, and the extent of application has been gradually enlarged. From 1979 onward, the No 2 automobile plant has used the decisionmaking rights delegated by the state; on the basis of firmly grasping overall quality management, has implemented various forms of the economic responsibility system inside the enterprise on a trial basis; and has proceeded on the path of retaining capital for carrying out expanded internal reproduction. In particular, over the last few years we have vigorously pushed forward a "business contract responsibility system on different levels, which is based on overall quality management, centered on overall technological advances, and targeted at overall economic results" inside the enterprise for the sake of ensuring that enterprises undertake state

economic responsibilities. This kind of contract responsibility system is, in fact, a continuation of the relationship of enterprises undertaking state contracts inside the enterprises. By means of contracting work at different levels to various grassroots units and the broad masses of workers in regard to the three great responsibilities of "overall quality management, overall technical advances, and overall economic results" and by expanding the decisionmaking powers in the management of specialized plants, we have strengthened the laborers' sense of being masters, motivated the workers' and masses' socialist enthusiasm, pushed forward the development of production and the increase of economic results by a large extent, initially solved the persistent question of "eating from the big pot of rice," and speeded up the reform of the economic management system from the lower to the higher levels.

Although the 3d Plenary Session of the 12th CPC Central Committee has formulated principles, policies, and measures for the reform of the economic management system and for invigorating the enterprises, there are numerous obstacles in the course of actual implementation. These obstacles are mainly from the remnant "leftist" influences which have not been eradicated and from deep-rooted habits. Long-term confusion between government and enterprise functions has turned the enterprises into subordinates of the administrative organs. In addition, division between regions and departments, excessive restrictions, and rigid controls have all caused difficulties for the work of the enterprises. The large enterprises can hardly be invigorated if these problems remain unsolved. Thus, how the state is to further expand the enterprises' decisionmaking powers is the crux of the problem. In my opinion, the large enterprises should be given the maximum decisionmaking powers in business in order to give full play to their individual strong points. The No 2 automobile plant has broken through divisions between regions and departments in China and organized voluntary integration of enterprises. We are, in fact, working hard toward completely separating government and enterprises. This work depends on the efforts of the enterprises themselves and on the support of the state in the principles, policies, and methods. Only in this way can the large enterprises give full play to their backbone roles in the reform of the economic system and make contributions to the economic development of our country.

CSO: 4004/19

COMMUNICATIONS TECHNOLOGY AND MODERNIZATION

Beijing RED FLAG in Chinese No 4, 16 Feb 85 pp 34-37

[Article by Ye Peida [0673 1014 1129], president of the Beijing Post and Telecommunications Institute and councillor of the Department of Philosophy and Social Sciences of the Chinese Academy of Sciences, and Zhong Yixin [6988 5030 0207], Sha Fei [3097 2431], and Wang Yongnian [3769 3057 1628], teachers of the Beijing Post and Telecommunications Institute]

[Text] Society and Communications

Communication is the transformation and exchange of information. It is a form of interpersonal relationship and contact. People, as members of society, are bound to come into contact with others and exchange information with each other. Communication and human society came into being at the same time and developed simultaneously.

In the time of the *palaeopithecus* ape-man, communication was carried out by means of shouts, hand signals, and facial expressions. Through this primitive mode of communication, a most rudimentary and primitive form of society took shape, with a certain degree of cooperation among the apes. The volume of information transmitted and exchanged through this means of communication was very small and the scope was limited to hearing and viewing distance. With the deepening of interrelationships over the long years of history, the number of syllables made by the apes increased and gradually developed into language. That was the first revolution in human communication.

The development of production and the further expansion of the scope of man's activities not only called for the expansion of the scope of communication and the acceleration of the speed of communication, but required that practical experience be recorded for the purpose of dissemination and application. Thus, man created writing to record and store information. That was the second major revolution in human communication.

The emergence of written communication promoted the birth of communications organs such as courier stations. In ancient times, courier stations were well developed in China, Persia, Rome, and other countries. They played an important part in transmitting administrative orders, military commands, military intelligence, and other information. Apart from these, our

forefathers used beacons and other visible signals as important means of border-defense communications. The basic principles of beacon communications are still being used today. The microwave relay communications system is a case in point.

In modern times, with the development of industry and maritime trade, the scope of man's interrelationships extends to the whole country and the whole world. New demands for communications keep appearing. In this situation, simple communications by means of spoken and written language no longer meets the needs of the development of industry, trade, and so on. Thus, telegraph, telephone, broadcasting, and other communications technologies emerge as the times require. That is the third major revolution in man's communication.

Since the middle of the 20th century, the scope of man's activities has extended into space. Automation systems are used in production processes. The precision and quality of products are greatly improving, new products are constantly emerging, and new technological processes and new technologies are emerging one after another. All these have helped bring about a great leap in communications technology. Communications satellites, optical fibers, large-scale and super large-scale integrated circuits and microwave relay systems, automated relay technology, digital communications networks for all businesses, and modern postal communications techniques are being developed one after another, thus turning the whole world into a "global village."

Communication plays a more and more important role as human society advances. Society's dependence on communication is also becoming more and more all-embracing. We may say that without modern communications, there cannot be any modern society.

Modern Communications Technology

In the last decade, there has emerged a new transmission system for communications called the optical fiber system. It makes use of specially processed glass fibers that are even finer than human hair to transmit information. But what it transmits are laser signals rather than electric signals. Laser signals have a higher work efficiency and a bigger transmission volume than microwave signals. A single optical fiber can transmit tens of thousands of telephone calls or dozens of television programs. In the near future, these capacities will be greatly increased. The principal raw material of optical fibers is silicon, which is inexhaustible and cheap. Moreover, 1 centiliter of this raw material can produce an optical fiber 1 kilometer long. Laser signals are free from electromagnetic interference during transmission and can guarantee a better transmission quality and fidelity.

Another advance in modern communications is satellite communications. Synchronous satellites can cover one-third of the global surface and can link communications between any two points within this area. They are ideal space communications relay stations. This form of communications is of particular significance to inaccessible mountain areas and outlying districts

with complicated topography, as well as moving objects such as ships and airplanes. Using a number of synchronous satellites, 100 percent worldwide coverage of high quality can be attained in sound and television broadcasts. The use of spacecraft in refuelling the satellites or in carrying out necessary repairs can double the working life of the satellites and make it possible to launch wide-body satellites of higher power and greater capability. The ground stations can be made more compact and flexible, thus greatly reducing the cost of satellite communications.

In addition to an excellent means of transport, modern communications technology also requires advanced exchange systems. In modern exchange centers, computerized automatic switching systems are used. They can automatically identify the subscriber address and contact address and automatically connect them for communications, using the safest and fastest circuit. In the event of a breakdown, they can automatically switch to the next most suitable circuit to ensure uninterrupted communication. They can also automatically work out costs and have many intelligent functions. Following the development of breadboard and digital program controls in exchange technology, telegrams, facsimile data, and a series of other nonvocal communications, exchange will be program controlled, and text exchange, group exchange, and other new forms of exchange will be introduced. At present, the structure of modern digital control switchboards is developing in the direction of modularity, using multipurpose microprocessors. This will give the switchboards greater intelligent functions and make them more flexible and more adaptable to different exchange requirements in the future.

Digital technology will be widely used in modern communications technology. Digital technology means turning a sequence of signals (in language or pictures) into digital signals (a sequence of digits such as 0 and 1) for transmission, and decoding them into the original sequence at the receiving end. Like analog signals, digital signals can be regenerated many times without distortions. Thus, the quality of communications can be markedly improved. Using digital integrated circuits, the equipment of digital systems can be microminiaturized and modularized. This sort of equipment will be dependable, cheap, and easy to handle, and it will be easy to maintain secrecy. The use of digital technology to integrate transmissions with exchange will further improve the functions of the entire communications system. On the basis of digital signals, setting up comprehensive business data networks is fairly easy. These networks can not only transmit sound, but can transmit writing, pictures, data, and other information. Through these networks we can also check out references, book tickets, inquire about commodity information, and view television programs.

The extensive use of computers in recent years has made the development of data communications a pressing task. At present the development priority is to build data networks to provide various kinds of data communications services, particularly computer communications services. Their establishment will create the necessary conditions for setting up comprehensive business data networks.

Visual communication is also a new technology. Pictures can provide information which is more direct and much richer than that provided by sound and data. For this reason, there will be an increasing demand for visual communication in society and the proportion it occupies in the field of communications will also increase with each passing day.

Modern communications technology also includes digital microwave relays and digital carrier communications. They have many advantages. For example, they are large in capacity and of good quality, can be easily integrated, and are cheap to make. They will become an integral part of future comprehensive business data networks.

Mobile wireless communications can provide a form of communications that is particularly flexible and convenient. This form of communications is particularly important to military, public security, and transport departments. When this kind of mobile wireless communications is organically linked with stationary communications networks, people can communicate at any time and place, even in moving planes and cars and on board moving ships. The pager system which is already in use is the prelude to this concept.

Modern communications technologies are directly linked to users through various kinds of terminals. These include multifunction telephones, facsimile machines, video-phones, televisions, computer terminals, and various kinds of intelligent terminal office automation work stations. With this equipment, modern communications networks can automatically and efficiently assist people in making all kinds of contacts. For example, they can perform all kinds of intelligent answering and maneuvering for man. They understand the questions asked by the opposite party and can automatically answer inquiries according to information stored in the data base, ask necessary questions at the right time, record the entire answering process, and store information after processing for future reference. Or, they can generate and execute relevant control instructions in accordance with requests made or instructions stored in the data base, such as booking tickets, making hotel reservations, and controlling machines. By making use of microprocessors and artificial intelligence technology, many control functions can be performed at the terminals. The trend of development in communications terminals is that more intelligent, multifunctional, and comprehensive sets will be built.

Postal service is another means of communication. The modernization of postal communications means introducing mechanization and automation in internal operations and achieving integrated surface-sea-air service in transport, thus forming an unimpeded postal network that extends in all directions. Meanwhile, part of the postal service has now been developed into telecommunications with the help of facsimile, electronic mail, and other technologies.

Communications and the Four Modernizations

Modern communications constitutes the "nervous system" of modern society. Like the nervous system of the human body, it can quickly transmit all kinds

of information. Only by organically linking up the four aspects of production, distribution, exchange, and consumption in society by means of highly efficient, fast, and high-quality communications can society produce huge economic results. Since the party Central Committee's decision to carry out economic reforms and to implement the policy of opening to the outside world and invigorating the domestic economy, the beneficial results of modern communications technology can be seen more clearly each day in China's socialist economic construction.

The modernization of communications is an important means of scientific management. Without quick and accurate information, it is impossible to carry out scientific management. The higher the level of management, the more important communications becomes. Information means strength and time means victory. Both have to be won by means of advanced communications technology. Experience shows that in industry, agriculture, transport, and urban economic development, efficiency in production and economic results will increase if communications are unimpeded and command and control are flexible.

The importance of communications in the modernization of national defense and in military commands is self-evident. Without a highly developed means of communications, the modernization of command will be impossible. This means that we will not be able to gain the initiative in wars and will become passive and vulnerable to attack. On the other hand, if we are well-informed and our information is accurate, we will be able to regain the initiative and turn defeat into victory. Numerous cases of wars in ancient and modern times serve to illustrate this point.

Modern communications technologies can provide a revolutionary means for developing education, and enabling education to extend beyond the traditional campus and move toward society. Members of society will be able to choose their favorite teachers, the curriculum that suits them best, and the locations most convenient to them (such as at home) according to their own actual needs, timetable, and level. Using this kind of communications technology, the knowledge of the most outstanding teachers will be shared by the public (it is also a kind of information sharing) and abstract concepts and complex topics can be demonstrated and explained through images. In so doing, the teaching level will be greatly raised. Communications also play an important part in culture, recreation, medicine, and public health.

The use of modern communications technology can also shorten the time of information circulation, increase efficiency in production, speed up capital turnover, and increase economic vitality. The number of staff away on business can be greatly reduced and the pressure on transport and energy can be alleviated if modern communications systems are used in handling work, negotiating business deals, and discussing problems. Modern communications systems can also help promote scientific research because they can be used in seeking information and checking references. There is no need to elaborate further.

At present, China's communications technology is still backward. Most of the communications equipment is outmoded and inefficient and falls far short of the needs of modernization. It is the common hope of the Chinese people and also our historic mission to quickly put an end to this backward state. This makes it imperative for us to correctly recognize the position and role of communications in modernization, increase investment in developing communications, and mobilize all quarters to actively give support to the development of communications.

In order to change the present backward state of communications, departments must proceed from reality, formulate innovative strategies, make a special effort to develop the latest technology, and try hard to catch up. While importing necessary advanced technologies, we must also pay close attention to domestic research. While sending scientific and technological personnel to study abroad, we must also actively support experts and scholars taking part in international activities. In other words, we must expend our main strength in fulfilling our present tasks on the one hand and ensure that we have enough strength to march toward future goals and carry out long-term research on the other. We must think of our future generations and must not rush headlong into mass action. We must not think only of the present and neglect the future.

Our ancestors made outstanding contributions in the several information and communication revolutions in the history of mankind. We have our own superiorities and a superior socialist system. Under the guidance of the correct line, principles, and policies of the party Central Committee and through practical and effective work, the modernization of China's communications has great prospects.

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RED FLAG-SPONSORED FORUM ON LITERATURE AND ART CRITICISM

Beijing RED FLAG in Chinese No 4, 16 Feb 85 p 37

[Report by Fu Jian]

[Text] On 1 February, the Editorial Department of this magazine invited some comrades in literature and art circles to attend a forum to discuss how to properly handle the special column of "Comments on Selected New Works of Literature and Art" to be started by RED FLAG and how to properly handle the matter of literature and art criticism.

Editor in chief Comrade Xiong Fu presided over this meeting. He said that the inauguration of the special column of "Comments on Selected New Works of Literature and Art" is aimed at assessing and recommending those new works of literature and art that are healthy in ideological content, relatively good in artistic form, reflect contemporary life and are full of educational meaning and worth being recommended. This is to strengthen education for cadres through the criticism of literature and art works.

Those comrades present at the forum voiced unanimous support for the special column "Comments on Selected Works" to be started by RED FLAG. It was held that the inauguration of this "special column" meets the needs of the new situation of literature and art reform and will play a stimulatory role in literature and art circles.

The comrades presented many good suggestions about the proper handling of the "special column" and expressed the hope that the "special column" would become a window on literature and art circles, giving a glimpse of new and important literature and art trends. The "special column" does not just recommend a given work. Instead, it undertakes a kind of promotion by recommending it.

The comrades attending the forum held that it is highly necessary to further improve literature and art criticism. Literature and art criticism should take the form of free, equal, and comradely discussions. We must be unique in creation. In making comments, we must also have our own views. Regarding differing views, we must gradually arrive at a consensus through discussion.

At the forum, some comrades said that at present some articles related to literature and art criticism follow relatively hackneyed and relatively simple patterns. There must be varied patterns for literature and art criticism.

They can take the form of theoretical analyses and also expressions of random feelings, discussions through correspondence, and so forth. Literature and art criticisms must be of a given stamp and elegant in style. In handling relevant articles, the Editorial Department cannot follow fixed patterns in regard to style or the use of words and must respect the style of a given individual.

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THIS GENERATION--READING 'NEW STARS'

Beijing RED FLAG in Chinese No 4, 16 Feb 85 pp 38-40

[Article by Li Guotao [2621 0948 3447]]

[Text] "New Stars" by Ke Yunlu [2688 0061 6424] (carried in DANGDAI [3981 0108], Supplementary Issue No 3, 1984) depicts a complicated struggle carried out by Li Xiangnan, a new-style county party secretary, in the course of the ongoing reforms. This struggle touches on many aspects, such as economic policies, morality, and contention for power. But it is mainly a political struggle. In Li Xiangnan's own words, "politics is the most filthy and also the most lofty thing in human history. The question is what kind of politics one engages in." At a time when most novels try to avoid politics, it is commendable for "New Stars" to give such a full description of struggle and to portray a number of fairly typical characters like Li Xiangnan.

I do not know whether or not I should have, but when I was reading Ke Yunlu's "New Stars," my mind often went to "Rivers of the North" by Zhang Chengzhi [1728 2110 1807]. The two writers are contemporaries who shared similar experiences. Their protagonists are also people of their generation and are outstanding persons. Li Xiangnan in "New Stars" and "He" in "Rivers of the North" both beam with vitality and are dedicated to their cause. Their youth and their manliness make the reader feel overwhelmed.

After "Rivers of the North" was published, Wang Meng [3769 5536] warmly praised the novel, calling it "the swallow heralding spring this year (and perhaps not only this year)." I think that "New Stars" is another such swallow. Wang Meng also said: "Other than Jiang Zilong [5592 1311 7893], Zhang Xianliang [1728 6343 0081], and a few other writers, not many people possess this kind of daring." Ke Yunlu can be regarded as one of these "few other writers."

Of course, "New Stars" is very different from "Rivers of the North" on the artistic level. The description of the four big rivers in "Rivers of the North" commanded admiration from the writer Wang Meng and won the praise of readers and critics alike. "Rivers of the North" puts stress on the expression of emotions, thoughts, and symbolism, whereas "New Stars" gives a detailed description of real life and struggle in our times. The images

of its characters and social life are the big rivers that the novel tries to present, and they are churning up terrifying waves before the reader's eyes. Of course "New Stars" also expresses emotions, thoughts, and symbolism, but what abounds in it is the epitomizing of life. In his article "On the Publication of the Novel 'New Stars,'" Ke Yunlu said: "We must put the epitomizing of contemporary social life in the first place." He also pointed out that this epitomizing must be uncompromising (not a whitewash), true to life (not specious), ruthless (not affectedly unconventional), and profound (not shallow). I think that "New Stars" has attained this level. Li Xiangnan is not indulging in a flight of fancy. He is not going about his own quest within the embrace of nature. He is carrying out struggle in rigorous and merciless life. He is faced with reality, life, politics, and the principles and policies for rural work since the 3d Plenary Session of the 11th CPC Central Committee.

This generation of the "old third" has virtually become the most eye-catching protagonists in contemporary literature over the past 8 years. From the "wounded" to the "thinking," hundreds and thousands of "old thirds" have passed before the readers. Indeed, it is a very distinguished generation of people with great potential who have gone through great misfortunes and harsh tempering. If we see literature as a kind of social message, then "New Stars" has a lot of messages to offer. In this story which took place in 1982, Ke Yunlu presented to us a situation which probably will not become a widespread phenomenon of life for some years. That is: After going through so much frustration and receiving rigorous education, the "old thirds" have become leaders at the county or still higher levels. After the party put forward the call to train and promote cadres who meet the requirements of the "four modernizations," particularly the plan to train the third echelon, people have turned their eyes to young people in their thirties. They are our hope. "New Stars" makes the plan to promote people of the third echelon to be county party secretaries happen a bit sooner and fully demonstrates the dazzling qualities of this generation. It shows the soul, wisdom, quality, and temperament of these people. I said "a bit sooner" because very few cadres of Li Xiangnan's age (32) and with his kind of experience actually serve as county party secretary now. This group of "old thirds" are all working at their respective posts and, on the whole, are a long way from being county party secretaries. Many of them have lost their opportunity for, and interest in, study. Quite a few of them have not fully roused themselves. Only a few of them, the "lucky ones" as Li Xiangnan called them, had the opportunity to study in universities and apply for postgraduate studies. Many of them have made achievements in their professional fields, and consequently directed their aspirations and interests to their respective professions. "He" in "Rivers of the North" is like that. Thus, the chance of these people being promoted to county party secretary or a comparable party or government post is quite small. In this sense, the practical spirit possessed by the romantic protagonist of "Rivers of the North" stands in vivid contrast to the idealistic spirit possessed by the realist protagonist of "New Stars." One is a geographer, the other is a "fatherly local official." They went through the same frustrations and shared the same luck. The important thing is, like has given them qualities, temperament, and style common to people of this

generation. Their bold and uninhibited characters, their bravery, their ability to profoundly understand life at present, and their capacity for adapting to our present life can only be endowed by history. The rivers in "Rivers of the North" and the ocean of life in "New Stars" both provide the background for demonstrating the disposition of people of this generation. The past, the present and the future are intertwined in this generation.

I think that it is a very meaningful thing to look at the two protagonists mentioned above side by side. We can see that the same generation of people brought up in the same historical period can have many amazing similarities although they live in very different environments and differ a lot in their personal qualities.

In "New Stars" there is a character named Zhu Quanshan. Not a very important character himself, he serves to correlate history in the story. As a kind of coordinate axis, he enables us to see that a difference of merely 10 years can produce two distinctively different generations.

Li Xiangnan was 32 years old in 1982. At that time, Zhu Quanshan was no more than "a middle-aged man of 41 or 42." He was deputy head of the management office of Huangzhuang Reservoir in the county, which was under the county's Water Conservancy Bureau. He was a "submissive low-ranking cadre" before the county party secretary and leading cadres of various departments and bureaus. But he was a county party secretary himself 15 or 16 years ago. He was kindly and hardworking, but was county party secretary for only 1 year. He told Li Xiangnan: "A cadre will never be able to work again for as long as he lives if he offends the local leadership. He will be a nonperson and will never be able to stand up again. This is too feudal, despotic!" This was his one and only "dramatic monologue," his one and only "grumble." He chose to spend the rest of his life living in "obscurity."

We are not going to discuss the reasons why Zhu Quanshan developed such an attitude. This was caused by history. Of course there were personal factors as well. What we may discuss is the difference in disposition between these two generations. They are different in terms of cultural qualities, knowledge, revolutionary awareness and staunchness, as well as in their understanding of the party's tasks and partisan principles. After his failure, Zhu Quanshan was demoted to work at the Huangzhuang Reservoir and his career was finished. Of course this was governed by historical conditions and was beyond human control. However, we can see that because he had a low educational level and was not good at accepting new things, he was unable to analyze his own predicament from the heights of history and decide his own course of action. Li Xiangnan was different. When he was in danger of defeat, he decided to go to Beijing. Besides trying to win his father's support, he "wanted to lobby in as many upper-level policy research institutions as possible to extensively solicit support." He "wanted to extensively get in touch with the thinking generation and broaden the mind." This was something Zhu Quanshan never thought of doing. The ideas which had already taken shape in Li Xiangnan's mind were expressed in clear and

definite terms when he spoke to his friends Mr and Mrs Smith. He said: "Our generation is idealistic." "The decade of turmoil in China has enabled us to extensively see social contradictions and the social structure in their naked state. This has fostered our historical outlook and dispassionate realism" and "tempered our political ability." Of course, the so-called "old thirds" here is just a general term referring particularly to the generation of young people who have had close contacts with the laboring people and were persecuted by "leftist" trends of thought during the decade of turmoil, who have witnessed the change in the party's style, and who envisage the rejuvenation of the motherland. Over a short time, these people have experienced historical changes one would not experience in normal years. History has concentrated its mighty force in these people. These most precious aspects of theirs are seen at their best at a time when our party is building the third echelon from the high plane of historical development.

This is an enviable generation.

They possess something solemn, but they are also naive and passionate young persons with their own special qualities. "He" in "Rivers of the North" always had an aura of the "seasoned young intellectual" about him. Li Xiangnan was proud of his resourcefulness. In his report to a congress, he said: "You may take this as the basis of your judgment on me." One could read a note of childlike boastfulness in his solemn remark. When speaking to an old guy selling herbal jelly in the free market, he addressed the aged person as "uncle" while calling himself the "fatherly local official." Although he only said this jokingly, it also showed him as a young man who was proud of his achievements. The attention he drew from the peasants as he smoked the long-stemmed pipe before them also "gave him some satisfaction." Like "He" learning to speak the northern Shaanxi dialect in "Rivers of the North," this brought home a feeling of affection for the rural areas where he had once lived and worked. What he did when he called the provincial party secretary long distance on the telephone over a little quarrel was entirely childish. It shows that he still lacked self-control under certain circumstances.

There are other young persons in "New Stars." For example, there is Xiao Hu, a capable person with a strong sense of self-esteem; Kang Le, a clever and happy-go-lucky astronomer; Xiao Li, the wayward daughter of a high-ranking cadre; and Lin Hong, an egocentric person living in a remote mountain village who cannot bear the loneliness. They make up "this generation." The novel depicts these people in an unconventional way. Although these young people as a group have cognitive value that cannot be replaced, and which reflects the writer's profound feelings, their images may not be highly successful. In this novel, Pan Goushi, the commune deputy party secretary, is a rare typical example. Uncle Men and Gao Liangjie, a brigade party branch secretary who has lost his power, are also vividly depicted characters we do not often come across.

In the past, Ke Yunlu spent most of his time writing novels on industrial themes. Readers were very much surprised by the publication of this novel on a rural theme which carries such weight. We learned that he had lived and worked in Shanxi for 4 years and always showed great concern for the rural areas and the rural question. So he is also a member of "this generation." No wonder his portrayal of Li Xiangnan is so natural and so full of feelings.

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MAJOR DEVELOPMENT OF SOCIALIST POLITICAL ECONOMY

Beijing RED FLAG in Chinese No 4, 16 Feb 85 pp 41-45

[Article by Lin Zhaomu [2651 0340 2606] and Shi Dazheng [2457 6671 2398]]

[Text] The "Decision of the Central Committee of the CPC on Reform of the Economic Structure" not only puts forward a series of principles and policies for carrying out comprehensive reform of the economic structure, but also has a rich theoretical content from which we can see the major development of political economy. We should study it as socialist political economy which has integrated the fundamental Marxist principles with actual Chinese conditions. The following are several points of our understanding in the course of study.

Great Breakthrough Which Is of Overall Significance

The "Decision" points out that the socialist economy is a planned commodity economy on the basis of public ownership. This indicates a big step forward in the development of political economy because the socialist economy was only affirmed as a planned economy in the past while the understanding of the commodity economy was not affirmed. The contribution of the "Decision" in this area can be seen in the following aspects.

First, the "Decision" proceeds from the overall situation of the socialist economy and expounds on the necessity of fully developing the commodity economy. Although we have long recognized that a socialist society should maintain, to a certain extent, commodity production and commodity exchange, it has always been regarded as a remnant of the old society which had to be retained, its extent was strictly limited, and people thought of many ways to replace it with the product commodity. The "Decision" has abandoned this view and clearly pointed out that: "The full development of a commodity economy is an unavoidable stage of social economic development." History has shown that the commodity economy has become a general process of social production and also a major process of the development of division of labor and productivity. In a socialist society, the commodity economy is still an economic form for the producers to realize mutual relationships and is also an important means of and prerequisite for improving productivity. It should not be restricted but should be vigorously developed. The natural economy and the seminatural economy in which the division of labor and

productivity is not developed, must transit to the commodity economy, attempts to restrict and abolish commodity production and implement a product economy will only hamper the improvement of productivity, and thus will not reap fruitful results.

Second, the "Decision" has broken through the traditional concept of denying the existence of commodity relationships within the whole-people ownership system and has explicitly pointed out that the enterprises owned by all the people should become relatively independent commodity producers and businessmen. This indicates a big step forward on the basis of recognizing that there are different economic interests between the whole-people ownership system and the collective ownership system and that it is necessary to implement commodity exchange, that means affirming that various enterprises under the whole-people ownership system have relatively independent economic interests and must implement commodity exchange. Thus, this has also specified that not only the personal consumer products are commodities but that the means of production are commodities as well. This is of great significance both in theory and in practice. Actual practice over the past decades has proved that the absence of this understanding will seriously suppress the initiative of the enterprises and the workers, causing the whole-people ownership system, which occupies the dominant position in the national economy, to lose its vitality.

Third, the "Decision" has broken through the traditional concept of regarding competition as a capitalist characteristic and has pointed out specifically that there is bound to be competition as long as there is commodity production. The primary relationship between socialist enterprises is the relationship of mutual cooperation and mutual aid, however, such a relationship does not rule out competition. The superior wins and the poor are eliminated through competition, this is an indispensable condition for pushing forward the enterprises.

Fourth, the "Decision" has broken through the traditional concept of setting the implementation of the planned economy against the development of the commodity economy and has solved the question of uniting the two in terms of theory and in terms of economic structure. The "Decision" first affirmed, as far as the overall system is concerned, that socialism exercises a planned economy and not a market economy which is entirely regulated by the market. However, there are two different understandings of the planned economy from the past: First, implementing the planned economy does not mean including all socialist social production and exchange in the plans but only including the major parts of social production and exchange in the plans; second, implementing the planned economy does not mean that mandatory planning will take precedence, both mandatory and guidance planning are specific forms of the planned economy. Guidance planning mainly relies on the application of the law of value and the role of the economic levers to achieve the plans, mandatory planning must be implemented but it is also necessary to make use of the law of value and the economic levers. The most remarkable characteristic and merit of this system of planning is the spontaneous application of the law of value in the whole society, and thus it has flexibility which was not seen in past systems of planning.

Fifth, the "Decision" has expounded on the difference between the socialist economy and the capitalist economy on the questions of the commodity economy and the law of value. A major reason for not recognizing in the past that the socialist stage should fully develop the commodity economy within the bounds of the whole society is that we have not clarified this difference and worried that the development of the commodity economy would lead to capitalism and thus held that it is necessary to pose restrictions. The "Decision" has carried out a scientific analysis of the dialectical relationship between the general character and characteristics of the commodity economy. Although the commodity and the roles of the law of value exist in both socialist society and capitalist society, the social economic conditions that restrict the commodity economy are different and these have been pointed out in six points in the "Decision." Such differences form the characteristics of the commodity economy under the socialist system. People deny that the socialist economy is also a commodity economy when they do not see the general character, and treat the socialist commodity economy as capitalism when they do not see the characteristics. Both of these one-sided views are wrong.

The theoretical summation of the "Decision" on the issue that the socialist economy is a planned commodity economy is a breakthrough of socialist political economy which is of overall significance, and it is closely connected with the solution of many major theoretical and practical problems. For instance, the inferences of the "Decision" on appropriately separating the ownership right and business right, hooking up wages and bonuses of workers of enterprises with the enterprises' economic results, appropriately expanding the extent of floating prices and free prices, and so on are mutually restricting and mutually penetrating in this new theoretical summation. The roots for confusing whole-people owned enterprises with enterprises directly managed by state organs, allowing workers' income to become detached from the enterprises' economic results and implementing an overcentralized price management system, and so on are found in that we have denied that the socialist economy is a commodity economy and that the economy was managed in accordance with the mode of the product economy. Only by recognizing that the socialist economy is a planned commodity economy can we properly solve these important questions which are related to the overall situation.

Reunderstanding Economic Categories and Economic Laws

The great breakthrough of the "Decision" in political economic theory has urged us to study and understand again the questions on economic categories and economic laws. Practice is the basis on which concepts and categories are formed. Engels has said that: "It goes without saying that when matters and their mutual relations are not seen as constant ones but are regarded as variables, their ideological reflections and concepts will change at the same time; we must not bind them by rigid definitions and must add explanations in their historical or logical process of formation." ("Collected Works of Marx and Engels," Vol 25, p 17) He also said that: "Every new concept of a science contains a revolution in the jargon of this science." (Ibid., Vol 23, p 34) The socialist portion of political economy is facing such a situation at present. The economic category is an abstract

of practical economic relations. Various new economic phenomena and economic relationships have emerged and will continue to emerge, and concepts and categories which are reflected at different levels and in different angles have accordingly emerged such as the enterprises' business rights, socialist competition, responsibility systems, specialized households, joint bodies, joint-business enterprises, socialist stock companies, socialist special economic zones, and so on. Apart from studying the new category, it is also necessary to restudy the contents of existing economic categories and their extensions and the position of various categories and their mutual relations. For instance, after affirming that the socialist economy is a planned commodity economy, there are different interpretations of the position and role of prices, demand, supply, production costs, profits, interest, and so on which are related to the commodity economy and the law of value. We neglected investment and output and lacked a concept of time, of circulation, and of profits because we did not recognize that the socialist economy is a commodity economy and were manipulated by the concepts of the natural economy and the product economy. At present, the position and role of circulation have been strengthened, the related categories of capital circulation, circulation periods, market information, and so on should naturally be placed in an important position.

Understanding the economic laws must also be like this. In the past we did not recognize that the socialist economy was a commodity economy and did not recognize that competition exists among socialist enterprises, therefore we were unable to deeply study the laws governing competition, the law of supply and demand, the laws of formation and application of prices and the law of wages and currency circulation and so on under the socialist conditions and which suited the commodity economy. These are the tasks we face at present.

We must once again understand the mutual relationships between the economic laws in accordance with the new development of the series of theoretical questions in the "Decision." As far as the relationship of the law governing the planned (proportionate) development of the national economy and the law of value is concerned, the reason traditional views set the planned economy against the commodity economy was that it was held that the direction and basic results of these two laws were contradictory and that if the law of value also played the role of a production regulator, it would lead to anarchism in social production. The "Decision" has pointed out the direction of a correct theoretical understanding of and solutions to these problems.

The socialist public ownership system is different from the capitalist private ownership system and thus the objective economic conditions for the laws governing the planned development of the national economy to play regulatory roles exist, simultaneously, it is different from the communist public ownership system, the socialist economy is a planned commodity economy and thus the objective economic conditions for the law of value to play regulatory roles also exist. The basic demand of the laws governing planned development is that the national economy develop proportionately. The fundamental demand of the law of value is that commodities are exchanged

in accordance with the value determined by the essential social labor time, and social labor is proportionately distributed in various production spheres in accordance with social needs. Marx pointed out: "Only when all products are produced in accordance with essential ratios can they become marketable. The part of social labor time which can be used in various production spheres is only an indication of the further development of the entire law of value though essential labor time has another meaning here." ("Collected Works of Marx and Engels," Vol 25, p 717) Under capitalist conditions, the law of value plays its role amid disturbances and destruction; under the socialist conditions, it is linked with the laws governing planned development and can avoid overall imbalance and destruction, enabling the national economy, on the whole, to develop proportionately.

Certainly, we must also see that there are bound to be contradictions between the roles and results of these two economic laws, but such contradictions can be solved. In playing its regulatory role in production, the law of value will cause the means of production and the labor force to shift to departments which operate with great profits, causing blind production and blind construction to a certain extent, however, as long as the price is rational and can reflect the value and the supply and demand relationship, the regulatory role of the law of value will guide capital to shift from products in ample supply to products in short supply, and this is identical to the demand of the law governing planned development. When state planning does not meet the objective demands of the economic laws, regulation by the law of value still plays a supplementary and rectifying role in state planning. Even under the situation that blind production and construction as a result of the regulatory role of the law of value contradicts the demands of the laws governing the planned development of the national economy, it will not lead to anarchism in the entire social production. This is because the major part of the socialist commodity economy is based on the system of public ownership when the whole-people owned enterprises have become relatively independent commodity producers and businessmen, the state can still, through planning and administrative management and on the basis of attaching importance to economic news and forecasts, make use of the price, taxation, credit, and other economic levers to carry out regulation in order that the production and investment direction of the enterprises cope with the demands of the laws governing the planned development of the national economy. Simultaneously, major macroeconomic proportions such as total social supply and demand, accumulation funds, consumption funds, and so on are still under state control; the state can centralize among enterprises net revenue which must be used centrally and by means of investment plans determine the overall scale and direction of capital construction and regulate the industrial structure and distribution of the productive forces, in order to maintain a balanced development of the various departments of the national economy.

The law of value and the laws governing the planned development of the national economy not only do not discriminate against one another, but can also be united with the fundamental socialist economic laws. Under the conditions of the commodity economy, the law of value can more directly push forward the enterprises in improving technical standards, lowering

production costs, improving quality, and being better suited to social needs. The objective of spontaneously applying the law of value within the bounds of the whole society is to achieve the demands of the basic economic laws. In short, in the wake of the reforms, changes are taking place in the objective economic conditions for the economic laws to play their roles, and our understanding must also change accordingly.

New Inspirations of Methodology

Dialectical materialism is the fundamental method of Marxist political economy. Marx has applied dialectical materialism to fundamentally reform old political economy and achieved a great reform in political economy. "Das Kapital" is a classic of analyzing laws governing economic activities by means of dialectical materialism. The question of how to thoroughly implement dialectical materialism in the study on the socialist part of political economy remains unsolved. The "Decision" has not only brought about major development in political economy as far as its content is concerned, but has given us new inspirations on methodology.

Dialectics holds that there is no absolute eternal truth and truth is contained in the long-term historical development of science. Understanding socialism is the same as understanding all general truths, it must be subject to tests in practice and must develop in practice. The "Decision" has complied with this fundamental demand of dialectical materialism and has, in the overall guiding ideology and on a series of major theoretical questions, upheld that tests are the correct principle in actual practice and broken through the traditional concept that tests were erroneous in actual practice, thus, it has made a great breakthrough in theory. Comrade Deng Xiaoping said: "This is a good document which explains socialism. Some are words which have not been spoken by our ancestors and some are new words." However, as far as understanding socialism is concerned, implementation of the dialectic method of "uphold and develop" is the source of the vitality of the reform of the economic structure.

The "Decision" has not only implemented dialectics, as far as the overall guiding ideology is concerned, but also in the analysis of various economic questions and has treated socialist economy as other things and other processes which are full of contradictions and which develop in unity of opposites.

For instance, the "Decision" put forth that effective control must be exercised in major aspects while allowing flexibility in minor ones. This is an example of handling economic relations by applying the law of the unity of opposites. The socialist economy, which is built on the basis of public ownership, must exercise centralized management. This should be affirmed. However, the dialectical relationship of "control" and "flexibility" was not handled well in the past, centralization was overstressed, the enterprises lacked the necessary decisionmaking powers and thus lost their vitality. On the other hand, the central and local governments had taken up many matters which they should not have interfered in and had not done their jobs well in things that they should do. Our faults in the past were

mainly failure to allow microeconomic flexibility and failure to exercise effective macroeconomic control. We can see that "control" and "flexibility" are unity of opposites, only allowing flexibility with no control will lead to chaos; while only exercising control with no flexibility will strangle the enterprises and the entire economy. An important contribution of the "Decision" is to have divided major and minor aspects in economic management and found an intercepting point of "control" and "flexibility." The "Decision" has made a specific analysis of two contradictory aspects-- "macro economic" and "micro economic," in other words the "major" and "minor" aspects of the national economy, and has put forth specific policies for properly handling the relationship between them, that means the extent of control and flexibility. For instance, the "Decision" has stated eight major duties of government organs in economic management; and simultaneously, stated six powers of the enterprises in selecting various forms of management, this is a manifestation of the aspect of flexibility.

Also, the dialectical relationship of correctly handling unity and flexibility penetrated the explanation of a series of questions in the "Decision." As far as the relationship between the state and the enterprises was concerned, it was held in the past that the ownership right and the business right were inseparable, although the unity of the whole-people's ownership system was ensured, versatility and flexibility in production and business of the various enterprises were neglected. The "Decision" has put forth that the ownership right and the business right could be appropriately separated, thus integrating overall unity with partial flexibility. This not only will not weaken but will be conducive to consolidating and perfecting the system of ownership by the whole people. As far as the planning system is concerned, only unity was stressed in the past in attempting to include social economic activities in the planning and the important roles of economic levers and market regulations were neglected. Thus, flexibility was lacking. The "Decision" has expounded on four basic points of setting up a planning system which integrates unity and flexibility, enabling flexibility to permeate unity without rejecting it. As far as the question of establishing the responsibility system is concerned, the "Decision," on the one hand, pointed out that all enterprises must set up economic responsibility systems and, on the other hand, pointed out that, due to differences in the nature of trades, scale of enterprises, and production conditions, the enterprises cannot adopt a standard mode in implementing responsibility systems, but should proceed from the actual situation to gradually create, in the course of practice, a form which is suitable to their local conditions. This is also an organic combination of unity and flexibility.

Another instance is the main and supplementary dialectical relationship. In the past, we regarded the individual economy and other nonpublic ownership economies as antagonistic to the public ownership economy and thus posed restrictions and discriminations. Being contrary to this metaphysical view, the "Decision" has clearly pointed out that the individual economy and the forms of using foreign capital and attracting foreign merchants to run joint venture enterprises in our country, run cooperation enterprises, or run independent enterprises are necessary and beneficial supplements to our

country's socialist economy. These two supplements and the main trunk of the socialist economy are united and the development of either one promotes the development of the other. The consolidation and development of the main trunk should not be conditioned on restricting and discriminating against the two supplements. Practice has proved that without the supplements the main trunk cannot be healthy or develop rapidly. On the other hand, the supplements will not take the place of the main trunk. When the policy of opening up to the foreigners is implemented, some capitalist things will enter into our country, however, there will be greater development in the socialist economy which will occupy a superior position among the other proportions.

In short, the "Decision's" interpretation of socialist economy is a sharp contrast to a rigid form of economic structure. The "Decision" has pointed out that the two opposites which we believe to be discriminating against each other in the rigid form are united and that the mutual contradictions are interrelated, mutually restricted and mutually penetrating; in areas where unity was stressed in the old form, the "Decision" pointed out that the unity of the two opposites is a unity of contradictions and a vivid unity and not a metaphysical and rigid unity. Obviously, this is of guiding significance in the study and teaching of the socialist portion of political economy.

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WHAT ARE THE BASIC DIFFERENCES BETWEEN OPENING TO THE OUTSIDE WORLD AND OLD CHINA'S 'OPEN DOOR'?

Beijing RED FLAG in Chinese No 4, 16 Feb 85 pp 45-47

[Article by Li Mingsan [2621 2494 0005]]

[Text] The policy of opening to the outside world that we are implementing today and old China's "open door" are basically different in nature.

Old China's "open door" was a result of the imperialist aggression of China. Prior to the Opium War in 1840, the Qing Dynasty that ruled China implemented the policy of "closing the country to international intercourse." At that time, Western capitalism was rapidly expanding, in search of new markets for its goods. They were trying in every way to open China's door. The result was the outbreak of the Opium War in 1840. In August 1842, the defeated Qing government was compelled to sign with Great Britain the first unequal treaty in the modern history of China--the "Nanking Treaty." The treaty stipulated that China open Guangzhou, Fuzhou, Xiamen, Ningpo, and Shanghai as trade ports, allowing British merchants to have a free hand to dump goods and to bring raw materials to these ports. The United States, France, and other Western countries successively came to China demanding to set up trade relations and contending for their rights. The Qing government agreed with them in line with the principle of "treating all countries equally without discrimination." Thus, the "establishment of the five trade ports" signaled the end of the policy of "closing the country to international intercourse" followed by the Qing Dynasty. Since then China's door has not only been open to such big powers as Great Britain, France, and the United States, it has been open wide to the whole capitalist world. Between September and November of 1899, the U.S. Government separately delivered notes to such countries as Great Britain, Russia, Germany, Japan, Italy, and France on China's pursuance of the "open door" policy, demanding an "equal chance" and an "equal share of interest," so as to make the whole Chinese market freely open to U.S. commodities. Therefore, the "open door" policy was only a written way to reconfirm the vested interests of various aggressive nations in the more than half a century after the "establishment of the five trade ports" and to further expand the aggression of these nations toward China.

Old China's "open door" was preceded by harming China's sovereignty or even depriving China of its sovereignty. In the century and more since China's door has been open, the imperialist countries have grabbed many special privileges by forcing China to sign a series of unequal treaties. The major ones include:

Consular jurisdiction: In regard to criminal offenses committed by foreigners in China and all law suits between foreigners and Chinese or between foreigners in China, trials should be held by foreign consuls or "officials in consulates" according to foreign laws. Chinese law and "Chinese officials should not interfere."

The right to negotiate tariffs and the right to tax exemption: In regard to foreign goods entering the Chinese market, the regulation of taxes and tax rates should be negotiated with foreign businessmen. If China wishes to readjust its tax rates, it must seek the agreement of foreign countries. Regarding imported goods for which an import tax has been paid, they should not be taxed again when they are marketed in the inland. In addition, some foreign goods would be allowed to be dumped on the market with tax exempted.

The unilateral most-favored-nation treatment: Great Britain, the United States, and other countries would "share" whatever privileges China granted other countries.

The right to inspect trade: British warships could anchor at any of the trade ports, while U.S. warships could "inspect trade" along the coast at all trade ports. When foreign merchant ships would enter and anchor at Chinese ports, "China would have no right of jurisdiction."

There were also rights to establish settlements and churches, the freedom to do missionary work, and more.

These special privileges of imperialist countries had grave effects on China. Politically, they injured China's judicial powers, its powers over territorial waters, its sovereignty over foreign trade, and its sovereignty over customs. They allowed control of the powers of many important Chinese institutions, while China lost its independence and sovereignty and territorial integrity. Economically, they snatched China's abundant wealth at a low cost, monopolized the broad Chinese market, allowed control of the economic lifeline of China, suppressed and struck blows at the development of China's state capitalism. Ideologically and culturally, the ideology of compradors and even fascism flooded China. It was precisely because of all this that China gradually fell into a poverty-stricken semicolonial and semifeudal state.

Today when we are implementing the policy of opening to the outside world, there are fundamental differences from the "open door" in the past in historical conditions, nature, and aim.

We long ago ended China's history as a semicolonial and semifeudal country, and have now established the socialist new China. We have carried out

socialist construction for more than three decades. Through the 3d Plenary Session of the 11th CPC Central Committee, our party has summed up the experiences and lessons of many years and analyzed the international political and economic situation. Starting from the specific conditions of our nation including a lack of funds, technology backward, and a lack of experience in the management of socialized mass production, our party has independently formulated the long-term national strategy of opening to the outside world after much deep and careful thought. The purpose of this policy is to enhance our power to develop socialist economy on a self-reliant basis, to step up the pace of modernization, to narrow the gap between the world's developed countries in economy and technology, and to approach and catch up with the level of the economically developed countries as quickly as possible, so as to enable the people of the whole country to lead a well-off life. Just as Comrade Deng Xiaoping has recently pointed out: "Quadrupling is a must to us, and a new target is to be achieved when quadrupling is accomplished; but all this will be impossible without the policy of opening up to the outside world." "Without the policy of opening to the outside world, quadrupling will be very difficult, and it will be still more difficult to make further advances when quadrupling is achieved." "At present, it would be impossible for any country to develop by closing the country to international intercourse." ("Build Socialism With Chinese Characteristics," pp 59, 60)

Moreover, opening to the outside world today is being done under the CPC leadership, with the people being masters of the country and the state exercising complete sovereignty. Whether in special economic zones or in open cities along the coast, all activities of foreign businessmen in running joint ventures, operating cooperative enterprises, managing enterprises with monopoly capital, or other economic and technical exchanges must observe the constitution and laws of China. The investment orientation of foreign businessmen and the proportion of profit distribution should all be carried out within the restrictions of Chinese laws, under the administration and supervision of the Chinese Government. Any action injuring China's sovereignty is prohibited. As to the fact that foreign businessmen will get part of the profit, that is carried out on the basis of the principle of equality and mutual benefit so that foreign businessmen may reap some profit, which is indispensable to absorbing foreign funds and the import of technology. In implementing the policy of opening to the outside world, it is also necessary to invite some foreign technical personnel and specialists to work for us, which is to help mend our shortcomings with their skills and to learn from them their knowledge in technology and experiences in operating modern production. Even the special economic zones should persist in the four basic principles as well as the inland, and they should enhance the building of socialist spiritual civilization while building material civilization. Therefore, the implementation of the policy of opening to the outside world does not by any means involve the problem of accepting any humiliating conditions and injuring China's sovereignty. Practice has proven that our policy of opening to the outside world is entirely correct and has brought about marked results.

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WHAT ARE THE ADVANTAGES TO BE GAINED FROM THE INSTITUTION OF THE PATENT SYSTEM IN OUR COUNTRY?

Beijing RED FLAG in Chinese No 4, 16 Feb 85 pp 47-48

[Article by Deng Jun [6772 6511]]

[Text] The patent system, as a legal system, is established on the basis of a commodity economy. As our nation is going all out to develop the commodity economy, the institution of the patent system will bring about manifold advantages:

First, the establishment of the patent system will greatly arouse the enthusiasm of the broad masses of people in our country for invention and creation. According to the provisions of the patent law in our country, people who make inventions will be given mental and material rewards. They will receive a certain percentage of gains yielded after the inventions are put to practical use. This conforms to the socialist principle of distribution according to the size of contributions, prompt research and production units to overcome egalitarianism, and will arouse the enthusiasm of the people for invention and innovation and will promote technological development.

Second, the establishment of the patent system will better integrate our scientific research with economic construction. In order to realize the grand target of quadrupling the output value within this century, we will rely mainly on scientific and technological progress. This thus requires our scientific and technological work to be oriented to economic construction. In the past, because of the defects of the economic and research management systems in our country, the egalitarian practice of "eating from the same big pot" existed in the field of technological development. This affected the enthusiasm of the research units for promoting new technologies and the enthusiasm of the production units for adopting new technologies. With the development of economic reform in our country, compensable transfers of technologies have been ushered in our socioeconomic life, and new channels for the circulation of technological commodities have been opened. However, due to the lack of legal protection, compensable technological transfers have not been able to be carried out smoothly. The institution of the patent system will help settle problems caused by the needs to keep new technologies confidential and be various barriers to technological transfer. The patent

law provides that the holder of patent must pay an annual fee which is greater year after year. In general, the holder of patent will gain no benefit if he does not quickly put the patent technologies to practical use. The more quickly the patented technology is put to practical use, the quicker and greater benefit can the patentee gain. Therefore, the patentee will be enthusiastic for the application of his patented technology and be glad to see other people using this patented invention. The catalogue of patents published by the patent office enables the third party to know the main technological content and characteristics of each patent. This provides a good condition for the spreading and application of patented technology and inventions and for the closer combination of technological work and economic work.

Third, the establishment of the patent system will be beneficial to the development of our foreign technological exchanges and cooperation. Today the exchanges of technological commodities have long gone beyond national boundaries and have become an important component part of world trade. The establishment of the patent system will provide legal safeguards for introducing advanced technology and equipment from abroad, attracting foreign businessmen to make technological investments in China, to enter into joint ventures, to cooperate in running projects, and to conduct compensation trade. By applying for a patent right for their advanced technological inventions in China or signing a license contract for the transfer of their technologies as a form of investment in China, foreign enterprises and inventors can be assured that their technologies and inventions will not be illegally copies. This will make it more convenient for our country to introduce advanced technologies from the outside world. On a reciprocal basis, inventions in our country will also enjoy patent protection from being copied. This will safeguard our national interests and will promote the development of technological exports.

The institution of the patent system will help us collect and utilize patent documents of other countries so as to create a favorable condition for extensively introducing the latest technological information from abroad. This will play a significant role in promoting our domestic economic construction and our development of intellectual resources. At the same time, by having access to the latest information, we will strengthen our position and take the initiative in foreign trade negotiations and will pursue the best program in introducing technology and conducting economic cooperation rather than being taken in.

At present our technology is comparatively backward. The main part of our foreign technological trade is to import and absorb advanced foreign technologies. In the future, with the development of our modernization drive and of the commodity economy, we will make more and more technological inventions, which will not only satisfy our domestic needs but will also enter the international markets. Our patent system which is gradually developing and becoming perfect under the socialist conditions will provide reliable legal safeguards for our export of technological inventions.

DEVELOP REGULAR THEORETICAL EDUCATION FOR CADRES IN A VARIETY OF WAYS

Beijing RED FLAG in Chinese No 4, 16 Feb 85 p 48

[Article by Bai Huimin [4101 1979 2404]]

[Text] After the CPC Central Propaganda Department issued the "Stipulations on Strengthening Regularized Education in Marxist-Leninist Theory Among Cadres" last June, more than 10 provinces, municipalities, and autonomous regions, including Jilin, Hebei, Liaoning, and Sichuan, had begun regularized theoretical education by the end of 1984.

In our country, a large number of cadres need to systematically study the basic theory of Marxism-Leninism, but their educational levels and theoretical grounding vary greatly and educational conditions also differ from one area to another. Various localities have created the following effective forms through their practice of exploring ways to conduct cadre theoretical education under the new situation: First, by organizing special training classes for cadres who leave their jobs temporarily at party schools, cadre schools, and other institutions of higher learning. Students enrolled in these classes are mainly leading cadres and backbone theoretical workers. Some localities, like Shanghai municipality, where there are many party schools and colleges, have formed a party school education system. So they can send all leading cadres at and above the county (bureau) level and political work cadres to party schools in rotation. Second, by organizing short-term training courses by various units and departments. Cadres in each of these courses can study one subject. This is a method adopted by many localities. Third, by organizing theoretical studies through television and radio broadcasts. This modern teaching method caters to the needs of a large number of students and requires few teaching staff. It also ensures high teaching quality and quickens the speed of theoretical education for cadres. Since last July, Jilin Province has offered philosophy lessons through a half-day television teaching program each week to cadres throughout the province. The province has set up 32 video display stations and more than 12,000 receiving points. Some 220,000 cadres are participating in this television philosophy course. This has initiated a vigorous campaign for theoretical study among cadres. At present, Guangxi, Ningxia, Jiangsu, Anhui, and other provinces, autonomous regions, and municipalities which have conditions have begun television courses. The teaching group of the Hebei Provincial CPC Committee has given radio

broadcast lectures on political economy for cadres throughout the province, and has also achieved good results. Fourth, by making full use of various means of education, such as correspondence courses, magazine courses, and examinations on subjects of higher learning for self-teaching students, which are widely used in society. Heilongjiang, Liaoning, Guizhou, and Hunan require that cadres sit for examinations on subjects of higher learning for self-teaching students after they finish the specified courses. So cadres' independent studies are supplemented by social assistance and unified examinations arranged by the state. The magazine publishing house "Gongchandangyuan" in Liaoning Province publishes a "Magazine Party School," which has enrolled some 350,000 party students, of whom 70 percent are cadres. Shandong, Tianjin, and 11 other provinces, municipalities, and autonomous regions have decided to run party schools which give courses mainly through journals and to make this the main way to conduct regular theoretical education for cadres.

Adopting various forms and conducting regular theoretical education for cadres in light of local conditions is an important measure for making our cadre contingent revolutionary, younger in average age, better educated, and more professionally competent. After the end of the first-stage party rectification, this education will be further carried on.

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